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John L. Simpson

ACTIVITIES IN A TROUBLED WORLD: WAR RELIEF,  
BANKING, AND BUSINESS

Regional Oral History Office  
The Bancroft Library



John L. Simpson

ACTIVITIES IN A TROUBLED WORLD: WAR RELIEF,  
BANKING, AND BUSINESS

With an Introduction by  
Donald H. McLaughlin

An Interview Conducted by  
Suzanne B. Riess,  
in 1978

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## INTRODUCTION, by Donald H. McLaughlin\*

All participants in the Oral History series have had experiences of some special sort that warrant the recording of their activities and associations. John Simpson is no exception, and, equipped as he is with a cultivated mind and an ability to make sound appraisal of people and events, his memories will be especially valuable in revealing the significance of many of the dramatic changes of the times. His warm personality will make his comments particularly human and engaging.

The intellectual ability that was apparent in his college years was well demonstrated throughout his long career, and the University of California is to be congratulated on bestowing upon him both of its highest honors: the first, the gold medal granted to the outstanding scholar of the graduating class, he received at Commencement in 1913; the second, the LL.D. degree, was awarded to him on Charter Day in the spring of 1960 in recognition of his achievements of far wider range.

Very few, if any, have received both of these high honors, one expressed in an enduring metal that denotes special confidence in a promising young fellow, and the other affirming the institution's earlier good judgment. Even the certificate, spelling out the rights and privileges of the ultimate doctorate, has more enduring quality when backed by gold. The University's discernment is to be commended.

With his good foundation of a liberal education in the best sense of that abused term, John Simpson went on to gain a much wider knowledge of men and

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\*Donald H. McLaughlin was himself the subject of an oral history, Careers in Mining Geology and Management, University Governance and Teaching, Regional Oral History Office 1975. He is a 1914 graduate of the University of California, from which institution he received an LL.D. in 1966.

affairs, starting with his work in the war years on the staff of Herbert Hoover's Commission for the Relief of Belgium, and continuing in a sequence of subsequent engagements that provided familiarity with European life and with international problems. This background, supplemented with legal training, enabled him to enter the world of banking and finance well prepared to render service of special value.

My only association with him of a professional nature was limited to the period when the mining company with which I have long been associated had the good fortune to persuade him to accept election to its Board of Directors. In this capacity, he brought a well-balanced judgment of financial realities that was most helpful to us and occasionally seriously needed. His comments left no doubt whatever with regard to where he stood, yet they were always presented in a quiet and firm manner with a courtesy that rarely offended those with whom he might disagree.

I doubt if mining or geology, however, had much appeal for him. Once in my enthusiasm about our operations I lured him with his fellow directors into the depths of the Homestake Mine and thoughtlessly made them climb a few ladders and clamber over rough piles of broken ore and I heard him murmur, "There ought to be an easier way to earn a living."

My close friendship with John was, however, firm enough by that time to survive this unfortunate incident. It really dates from the early 1940s in New York when I was invited to join a small group of Californians in exile who met for luncheon every three weeks or so and expressed their opinions on affairs of the world by bets of one dollar. He undoubtedly has had something to say about this very special group, for it brought a few of us together in a way that not only preserved old friendships but promoted a lively exchange of ideas.

In those years, too, I had many opportunities to become acquainted with Grete Simpson. To know her gave me an appreciation of the devotion that existed between the couple and an understanding of the extraordinary degree to which they supplemented each other's lives. Her understanding of young people was especially perceptive; it enabled her at times to see promise in them that was concealed from parents annoyed by the adolescent behavior of their offspring. The small dinners with the Simpsons at their house in New York, and in later years at their lofty apartment in San Francisco, were memorable for the skillful selection of guests and the thoughtful and warm hospitality John and Grete extended together.

John's capacity for being a good companion was based not only on the range of his interests and his intelligent criticism of current affairs--both political and scholarly as well as down to earth--but also on his subtle wit. He had frequent occasion to expose it in the small camp at the Bohemian Grove to which we both belonged. It was and still is a pleasantly diverse company, where each member has special competence in one field or another, though such qualities are apt to be disrespectfully treated if too frequently exposed.

John, taking advantage of his prerogatives as camp historian, enlivened the dull facts with verses and limericks about each member, none of which he would probably allow me to repeat in an unexpurgated form.

Even more revealing, both of John's light touch and his thoughtful side, are his many short essays. A number of these he published for private circulation. Some are based on early adventures in Europe; a few in France, I suspect, are a bit autobiographical, though he denies it. Others, in the form of dialogues, become involved in matters of more profound nature such as a confrontation between the Ruler of the Universe and an inquisitive man, in which God himself doesn't get by too well in attempting to adjust his doctrines to modern revelations.

Another of John's writings that I found quite hilarious was his response to a trusting friend who sought a little help in understanding the plot of *Der Ring des Nibelungen* before coming to Vienna where he planned to attend a performance of the entire Cycle. He surely got it from John in good measure in a long letter that would immensely enliven conventional program notes. Everything is described in matter-of-fact terms from the skin-diving Rhine maidens to Brunhilde's final immolation, the only known example, as John puts it, of a widow's suttee on horseback. Nearly every leading character is put in his place with a revealing phrase or two. Wotan's philandering and his indifference to genetic consequences receive the criticism it deserves, as does Siegfried's shocking behavior toward his aunt Brunhilde, who, of course, is also his bride. All this is accomplished with no lack of appreciation of the greatness of the musical drama, but at the close, as Valhalla burns and the Rhine maidens display their ultimate charms by singing under water as they rejoice over the recovery of the ring, John urges his friends to hasten on to Sacher's just behind the Opera House, where a repast that he has ordered for them will fully restore the spirit of "alt Wien."

In the Oral History, the many serious and successful episodes of John Simpson's life will necessarily receive first attention. They alone--and especially the personalities that are involved--make a record that will sustain a reader's steady interest. I am sure that under the skillful direction of the interviewer his many sharp perceptions and his ability to deflate solemn nonsense will be revealed in an entertaining way.

John Simpson's command of the intricacies of contemporary financial problems and of their bearing on the practical world of business and industry has won admiration for him that is widespread among those who are aware of the value of his contributions. Even more important, however, are the gentle and kindly traits that have bound so many to him in warm friendship. To know him has been a rewarding experience.

Donald H. McLaughlin, Emeritus Professor of  
Mining, University of California  
Honorary Chairman, and Chairman of the  
Executive Committee, Homestake Mining Co.

18 December 1978  
Berkeley, California

## INTERVIEW HISTORY

The John Simpson Oral History is one of a series of oral history memoirs with distinguished alumni of the University of California. As Donald McLaughlin points out in his introduction, the University did very well in giving to John Simpson in 1913 the Distinguished Scholar award and in 1960 the LL.D, thus acknowledging both promise and achievement. The oral history, with its unique format for retrospection, adds measurably to the meaning of the earlier acclaim.

When the idea of the interviews was presented to Mr. Simpson in April, 1978, he agreed to the proposition and from the start brought to the task an agreeable mix of knowing what he wished to say and yet, with genuine interest and enjoyment, being willing to abandon his agenda for the less predictable directions of the oral history.

The interviews took place in the three-month period from May to July 1978, and as they proceeded, Mr. Simpson and his secretary, Marie Thomson, would between times prepare some small outline that afforded a cue to areas and anecdotes of special interest. Often a few papers or writings of Mr. Simpson's were modestly provided to look over. I also had at hand the Random Notes, Mr. Simpson's chronicle of the years from 1915 to 1922, and copies of two volumes of prose by this investment banker and financial consultant who was so strongly drawn to writing.

It was important in the interviews for John Simpson to introduce and speak fully and precisely of the individuals who were the heart of his life; the main editorial work on his part was done where he felt he had failed to express the qualities of a good friend or loved one. It would seem that his world view is of people; the events were fabric, often amusing, seldom shattering.

We met for the interviews in the Simpson apartment on Sacramento Street in San Francisco, just north of the Pacific Union Club. The taping took place in a library which ran strongly to current history, but included editions of Shakespeare, volumes of Gibbon, Proust, Lincoln, and many dictionaries and

reference works on art and on America. On the walls were etchings from Austria, signed photographs of Herbert Hoover and John Foster Dulles, and a large fine etching of the Joaquin Quartet, as well as a portrait in oils of John Simpson done one summer at the Bohemian Grove, and cherished despite critical murmurings from friends. It was a pleasant place to meet and work. From there we adjourned for a before-lunch aperitif in the classically Rococco pink, green and gold living room--a trip down a hall where art and artifacts gathered by John and Grete Simpson were effectively displayed.

Lunch was served in the dining room, oriented to a northwest-facing view of Russian Hill, the Bay, and the Golden Gate Bridge. Around us were flowers from Mr. Simpson's niece Laura Bechtel, and on the table fine porcelain or silver pieces to admire and reminisce about. To all this was brought Maria's souffles, sole in lemon sauce, quiches, grilled salmon, curries, all beautifully done and followed often with four-star desserts. Conversation was about books, the progress of the interview, or the small dramas of my life. One visit, after the interviewing was over, substituted for taping an extraordinarily pleasant hour listening to a recording of "Der Rosenkavalier."

For some time John Simpson has been troubled with Parkinson's Disease. But with the help of his household he has made of the exigencies of the disease so little as to be truly remarkable. Esther and Maria, who care for and cook, are part of the air of warmth and well and pleasantly ordered life, all making a continuity from the years when Mrs. Simpson was living that one knows is of great importance to Mr. Simpson. The reminders of the nuisance and frustration of the disease serve to underscore the vigor and humor of the man. There were comments on what women were coming to when I, hardly wishing to put my host to any trouble, seated myself at lunch. I learned I was in a place where manners would not bow to inconvenience, and so subsequently I waited to be seated.

After the taping was completed and the transcribing under way, Mr. Simpson gave close attention to editing. I sent the transcript to him in three sections and he read it carefully, changing few words or phrases, but occasionally excising passages that appeared too harsh or unnecessarily judgmental. Throughout the session, decisions were made regarding photographs and writings to be included in the oral history text or appendices. Mr. Simpson cared to have a correct and a handsome oral history and he did his part beautifully.

As Donald McLaughlin said in the introduction, his friend John wrote limericks, and once before lunch he quoted a few favorites to me. I then elicited two quite printable ones by starting off, and letting the master finish the job. One went:

There once was a Phi Beta fellow,  
 In experience wise and so mellow -  
     He could tell a good joke  
     With a wink and a poke  
 And a laugh that was more like a bellow.

That laugh was heard often in the interviews. The message in the second limerick I think harks back to a successful career and good times:

There was once a remarkable scholar,  
Who with only a good-tempered holler,  
    Could gather a crowd  
    Both lusty and loud  
And wrassel them all for a dollar.

In both verses, if John Simpson will pardon all the "interpretation," there is a happy sense of self that made it most pleasant to be on the receiving end of this oral history.

The Regional Oral History Office was established to tape record autobiographical interviews with persons prominent in recent California history. The Office is under the administrative supervision of James D. Hart, the Director of The Bancroft Library. The department head is Willa K. Baum.

Suzanne B. Riess  
Interviewer

January 1979  
Berkeley, California



INSCRIPTION IN AN ALBUM

Presented by J.N. Pendegast to His Wife, Mrs. Jane Pendegast

At John L. Simpson's request we are  
prefacing his oral history memoir  
with the following words written  
some time before April 20, 1862, by  
Mr. Simpson's grandfather, J.N.  
Pendegast, to his wife Jane, and  
presented as an inscription in an  
album.



To Mrs. Jane Pendegast.

A tribute of merited praise, coming from one whose good opinion we value, and whose candor we do not call in question, is ever a very acceptable offering. In presenting this little manual to you, I take the opportunity to make you such an offering. And surely I may do so without resorting to either flattery or exaggeration.

In your sunny girlhood, when hope, with its rainbow colors, painted for you a future all radiant with pleasing anticipations - then with generous trustfulness you confided your all to my keeping. In the struggles which poverty imposed you nobly bore your part. When a thousand voices within and without urged you to oppose my wishes - wishes that to many did seem unreasonable - you rose above the ties of home and kindred, and above your own womanly fears, and dared the dangers, and encountered the labors and privations of a tedious and perilous journey to this far off sunset land.

When, on that journey, by a fearful casualty, my life was put in peril, and my prostrate and suffering condition devolved on you a triple load of care, anxiety and toil, you met and bore it bravely and uncomplainingly. Here, in this land of strangers, when sore affliction seized, and long and sternly held us in its grasp - then with a patience, a fortitude, and affection, such as none but one of earth's noble women could exhibit, you ministered to my wants, and alleviated my sufferings. The physician's skill was not so effective - his nostrums were not so potent to baffle disease and restore health - as were the kind, gentle, hopeful attentions which, day and night, for long months, I met from your hand.

And now the most earnest, most cherished wish of my life is that your remaining days may entail upon you less of toil and privation and care, and more - much more - of comfort and ease and quietude than have thus far marked your way.

But, I am reminded that soon this earthly scene will close, be it illumined with sunlight or o'erspread with gloom. To the "Great Future" then let us ever direct our thoughts. So that when our earthly union shall be dissolved - the separation shall be but temporary - while the re-union shall be eternal.

In life and death I am and ever will be your devoted husband

J. N. Pendegast



## I FAMILY AND EARLY EDUCATION

[Interview 1: April 28, 1978]

Gertrude Pendegast Simpson

Riess: I'd like to open with some questions about your own history, your family background. I have a note that your mother's parents came from Kentucky.

Simpson: As a matter of fact they didn't actually come from Kentucky. They came from Tennessee. And could I tell you a little incident regarding my mother in that connection? She always said that she came from Kentucky, but when she was about seventy I arranged for her to go to Europe. When it came to making a declaration for a passport, she declared that she was born in Tennessee. I and my sisters said, "Well, Mother, what in the world does this mean? You always said you came from Kentucky! Why didn't you say you came from Tennessee?"

"Oh," she said, "I thought Kentucky was a little fancier state. And," she said, "we lived mostly in Kentucky. It was only an accident I was born in Tennessee." [Laughter] So, she came from Tennessee in an ox wagon.

Riess: And why did the family come out west?

Simpson: My maternal grandfather, John Pendegast, was a minister, and they came, as many did, because they thought the west was the land of opportunity. My grandfather founded the Christian Church in Woodland.

I'm still affected by my wife's amazement, when we first met and she asked me what my religion was and I said, "My family belongs to the Christian Church." She said, "We're all Christians! What do you mean by that?" So I had to explain to her that the Christian Church is a sect within Christianity.

Riess: Did you know those grandparents?

Simpson: I knew my grandmother, not my grandfather. She related stories of crossing the Plains; that was the expression always used, "crossing the Plains." It was apparently quite an ordeal.

Riess: Do you know what year that would have been?

Simpson: Yes. My mother was born in '51 and that trip was in '53. They arrived in California in '53.

Riess: Did they tell you why they went to Woodland?

Simpson: No. I don't know why they chose Woodland rather than Marysville or Colusa or someplace else. I don't know.

Riess: Were they following anyone else they knew who had already settled out here?

Simpson: I don't know if that was the case but they did have very good friends with them when they settled in Woodland. I think they chose it more or less by chance. They got over this long trip over the mountains and found this an attractive place.

I believe there were really two motives in coming west: one, to found a church--both my grandfather and my grandmother were very sincere in their religion--and two, to better themselves, because they did better themselves. My grandfather evidently had quite a bit of business sense, along with his religion, and he acquired property; along one side of what is now College Street in Woodland he acquired a considerable amount of property and built a number of quite good-looking houses, simple and good-looking, which stand today.

Riess: Your mother was educated in Woodland?

Simpson: What education she had was in Woodland. How much formal education she had I don't know. She was far from uneducated but beyond grammar school I don't really know. The early settlers founded a school called Hesperian College which was later converted into the high school and my mother may have gone to Hesperian College after grammar school.

Those pioneers were remarkable people, you know. I found an album that my grandfather had given my grandmother. (People were great at having albums and writing things in them.) And he had written her a letter in this album thanking her for all

Simpson: the support she'd given him through times of trial.\* And the English was beautiful, although perhaps a little flowery from our present standpoint. I gave it to The Bancroft Library.

Riess: Was your mother the only child?

Simpson: Oh no, she had a lot of brothers.

Riess: Did they get more education do you think?

Simpson: I didn't mean to imply that my mother was uneducated. She functioned as a very educated person. How she got it is what I don't know.

Riess: I wondered if the sons had been sent off to college, because more was expected of sons.

Simpson: No, and I tell you frankly most of my uncles were not very successful, though some did better than others. There was only one who really made a name for himself and he was a lawyer in Napa and very successful and recognized beyond his immediate locality.

John Lowrey Simpson

Riess: And your grandparents on the paternal side, did you know anything of who they were?

Simpson: Not much. My father died shortly after my birth in 1891. He came from Indiana, but communications being what they were in those days, I really know very little about his background. I know about him from things related by my mother, sisters, and family friends, but that's information from Woodland, not Indiana.

Riess: He didn't have a diary or that sort of thing?

Simpson: Not that I know of. From all I've learned, he was a highly respected man in the community and certainly dearly beloved and honored by my mother. He was a widower when he married her, about twenty years her senior. His first wife's name was Laura and that name has been handed down in the family ever since.

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\*See introductory pages.

Riess: What did your father do?

Simpson: Frankly, I do not know, but cudgeling my wits and talking recently with Mrs. S.D. Bechtel, Laura Bechtel,\* our best speculation is that he was a teacher, because he was obviously a man given to literary pursuits.

Riess: Why is that obvious?

Simpson: From his library. And he was known as a churchgoer and sang in the choir and seemed to be associated with that kind of thing rather than business.

Riess: You say the only knowledge you have of him is from your mother. Did she quote from him: "Your father used to say..."? What kind of knowledge of him did you get from her?

Simpson: Her great emphasis was that he was a very good man. I think she used the expression "one of nature's noblemen." She was obviously quite a bit younger, twenty years, but as well as love, she had great honor and respect for him.

Riess: And the marriage was approved?

Simpson: Oh, yes.

Riess: You would gather from that that he must have been a man of some intellectual background because your mother's own parents would have had high standards for their daughter?

Simpson: Yes, I think that's right. I think it's very curious that I didn't probe into that. Maybe I did and have forgotten. I don't know.

Riess: Was there a sense of mystery and tragedy surrounding his death?

Simpson: No.

---

\*Mrs. S.D. Bechtel is the daughter of Mr. Simpson's half-sister Lela.





John Lowrey Simpson, Sr.  
1831-1892



Gertrude Pendegast Simpson  
1851-1935



Very young John Simpson



Woodland:  
John Simpson's new bicycle



Mother and the Girls

Simpson: There's every evidence that my father was a man of fine qualities, but he obviously was not a money maker because he died leaving my mother no financial means at all, and I would like to tell you how she handled that.

One of the houses that my grandfather [Pendegast] had owned belonged to my grandmother, and my grandfather gave a house to my mother as a wedding gift--that's the house where I was born--but that's all she had. On the death of my father, my mother had the house, which incidentally had a mortgage on it--I don't know why and how--and she had the responsibility for three girls, one boy (me), and my grandmother.

But she inherited one thing that was priceless; she was indomitable. How often have I heard her say, "I'm not going to let this get me. I'm not going to let this get me." And she never let anything get her. So, what did she do?

Well, she put the girls to work. They had an extra room and she took a lodger, usually a high school teacher, and took some boarders in addition.

The eldest girl, Lela, was really her stepdaughter, but nobody paid any attention to that [distinction]. The household was all of us. Indeed my mother said that Lela seemed to her more like a younger sister than a stepdaughter, and she was a lovely character. She was quite a bit older than the other girls and not so much younger than my mother. And as soon as she was able [probably 1890] she got a job teaching in the grammar school and made her contribution.

When I was still very young, young enough to have tantrums, she married a man named Barkley Peart [married 1894]. He was manager or superintendent of a very large ranch at Knight's Landing. I was utterly unwilling to tolerate the idea that she was going to be taken away! I called her Teetee--I bestowed names on all my sisters and hers was Teetee. I loved her dearly. I loved them all.

Riess: It seemed like a real desertion when she left?

Simpson: Yes, and a very wicked man who would take her away from me.

Riess: Does that mean that she really did leave your lives? Or if she was only ten miles away, did you see her often?

Simpson: Well, you know, ten miles in those days--we had a horse and surrey and occasionally we would drive over for the day, but it was a day's trip, you see, going and returning. They came similarly to Woodland occasionally. But she was no longer in the household.

Irma, whom I named Mamie for some reason, helped in the house-running until she married a man who was also a rancher, but of a more modest status, named Charles Adams. I think he came from Michigan.

Riess: And then did they stay in the area?

Simpson: Well, no, they didn't stay permanently, they moved to San Francisco. They had a rather sad life, the saddest thing being the death of a lovely little five-year-old girl that they had, one of the most charming children imaginable. He, Adams, was not very successful.

Now, Toto--Lola was named Toto, and that was a name which stuck with her through life. Most of her friends here and in New York, where she later lived, called her Toto. The name that she was originally given by her parents was Lola Jane Simpson, but she hated "Jane," so she changed it to Lola Jean Simpson. So, she was either Lola Jean or Toto.

Riess: She sounds very strong-minded.

Simpson: She was a marvelous person.

Riess: How much older than you was she?

Simpson: She was born in '78 and I was born in '91. [Born February 18, 1891]

Mother realized that she [Lola Jean] had talent and could go places, and insisted that she go to the University of California. And I think it must have been in that connection that we moved to San Francisco. I was, I think, only about five years old and have a dim recollection of San Francisco. But I think it was probably for Toto to have a place to still be at home and go to college.

Riess: Oh, so were you in San Francisco for four years, then?

Simpson: No. In a year or two, for some reason, we went back to Woodland. Perhaps Toto found other ways of taking care of herself. But we did spend about a year or two in San Francisco and again Mother took boarders.

Riess: That means that she purchased a house, or rented a house?

Simpson: Rented a house. And I suppose rented our house in Woodland to provide some income. Maybe that was a way of increasing cash income then.

Riess: That's interesting. You say you have a dim recollection of the time in San Francisco?

Simpson: I recall one thing clearly: there was a snowfall and I was taken to the window to see the snow. And I remember another thing; I was taken to see Santa Claus at the Emporium and he asked me whether I had been a good boy and I said, "Yes, Sir." [Chuckles] I have only a few slight childhood memories of that time.

Another recollection--in my boyhood, the hobo was still an American institution, and in small towns, such as Woodland, they came through. I don't know whether they put crosses on the fences of the people who were easy marks, but, anyway, every once in a while one would turn up. He'd clean up the yard and get a cup of coffee and a piece of pie.

And once in a while one of them would suggest that he could find some more work to do around "the yard," and "there was a cot in the woodshed, and couldn't he stay on?" Well, sometimes he did. He stayed maybe a few days, maybe a couple of weeks.

One fellow's name was Tom. He was an English sailor, and he stayed quite a while. He went on some awful binges but he was very contrite afterwards and he did two things: he begged forgiveness from my mother, and joined some religious sect. By the time he'd been with us a couple of weeks, he had joined practically every church in town. [Chuckles]

One day, after a bad night out, he came to plead with my mother for forgiveness. The back porch overlooked a little brick walk, and the culprit stood below on the walk and my mother had a strategic position of looking down on him from the porch. On this particular occasion Tom made his plea for mercy. He had enormous respect for my mother. And he said, "Oh, Mrs. Simpson, I was a stranger and you took me in."

And my mother said, "Yes, Tom, and I was a stranger and you took me in." [Laughter]

My mother was thoroughly at home with the world. She was unimpressed by grandeur and she was tolerant of the opposite.

Riess: Did she make a lesson of that for you, or was it just a lesson by example?

Simpson: Well, I would say the latter.

I think of how wonderful my mother was and I don't see how anybody could have had a better one.

Lola Jean Simpson

Riess: You gave me a copy of a letter that Lola had written to the editor of the Woodland paper when she was about ten years old.\*

Simpson: I think it's additional evidence that my father was a cultivated man with good taste. And whether he was professionally a teacher or not, I think he probably was a good teacher to her.

Riess: The letter gives some of the spirit of the home life: [Reading from letter] 'While we were sitting at the breakfast table this morning, the subject of writing a letter to the Mail came up, and I said, 'Oh, dear, I don't know how to write that letter to the Mail!' Papa said for me to go out to the barn and see what I could find there, and maybe that would give me some inspiration.'

Simpson: I think that's sophisticated.

Riess: Yes, very. On both parts.

Simpson: Yes. Too bad. I don't know why in my later days I didn't think enough to dig up more about my father.\*\*

Riess: Tell me more about Lola.

Simpson: Well, she was in the Class of '99 and I believe she had the leading part in the Senior Play. She had a very successful college career and a number of suitors. She went back to Woodland and got a job teaching English and French in the high school and taught there for eighteen years.

Riess: You said she had suitors. Did she renounce marriage?

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\*Following.

\*\*See Appendix A. Between the April 28 interview and June 21, Mr. Simpson and Mrs. Bechtel pursued further information on his father, her grandfather, J.L. Simpson. After finding the date of death in a family Bible, Mr. Simpson wrote to the Woodland Daily Democrat and was sent the obituary that is appended.



Lola Jean Simpson  
ca. 1930



Woodland: John next to his mother.  
Lola standing, Irma, and Lela on  
the right.



Gertrude Pendegast Simpson,  
ca. 1920



Grete Mandel Simpson





## LOLA SIMPSON'S LETTER.

## A Lively Little Lassie's Story of Her Mishaps.

Editor Mail: Dear Sir:- While we were sitting at the breakfast table this morning, the subject of writing a letter to the "Mail" came up. And I said "Oh dear I don't know how to write that letter to the "Mail." Papa said for me to go out to the barn and see what I could find there, and maybe that would give me some inspiration. Well I went out and what do you think I found under the manger in the hay, "I found four great big, white, eggs." I guess that did inspire me especially after cooking and eating one of the eggs, so I'll start right in and do my very best. I am a little girl ten years old, and go to the "Walnut St. School." I guess I wont say anything about my teacher for she is my sister you know. But our principal, Mr. Goin is very strict and has very good order in his room. And it makes my hair stand straight up on my head from the description of his punishments, those who have been up there have told me. Whenever I hear of anybody going away from Woodland I think they must be crazy for I think this is the most beautiful town on the globe. They have such nice houses, schools, churches, and such lovely flowers that I dont see how after coming here the people can ever tear themselves away. The St. Car railroad is progressing nicely, but I think that it spoils the streets for riding and driving. The ice factory and woolen mill are going up very fast and though I have not seen them I can imagine how they look. Sometime ago my cousin and I started a paper named the "Weekly Journal" but we gave it up in despair it was so hard to write nine or ten numbers, and besides we were

afraid that if we had kept it up the "Mail" would have lost nearly all of its subscribers. I guess I will tell you about the runaway I had the other day. There was a horse in front of mine (I was in a-lone) and he started to go on, but my horse didn't like that and he began to run. I tried to stop him but that must have made him madder for he began to gallop and then he reared up. Mamma happened to be by the window reading when she saw me coming lickety split up the street and she ran and succeeded in stopping him. The people on the street said that I bounced up and down like an India-rubber ball. I guess that I will tell you about another little accident that happened to me. I was up in a pear tree getting some of the blossoms and I would to jump down instead of climbing down. I drew my clothes very tightly and jumped, but instead of going to the ground as I intended to do, I found myself suspended in the air in a very embarrassing position and if some neighbors had not come to the rescue I am afraid this letter would never have been written. Well this is all I can write for this time, and I will close with the following sentiment "If you don't take the "Mail" you dont get the news."

Yours respectfully,

Lola J. Simpson

Woodland, April 14, 1888

Simpson: Well, I think she may have fallen in love with somebody, but apparently not with the right person, and those that fell in love with her to the extent of wanting to marry her, I guess she didn't care enough for. There was one quite wealthy fellow who wanted very much to marry her, but she just didn't want him.

She liked teaching at the beginning, I think. She was very fond of young people and was an excellent teacher. She loved it. She loved literature and threw herself into it and loved to bring young people forward. She coached the school plays and all that sort of thing. She was bubbling over with enthusiasm.

Riess: Was she one of your teachers?

Simpson: Yes.

I've seen lots of Shakespeare and I never saw Julius Caesar, Macbeth, or The Merchant of Venice without thinking of her because those were the three that I studied under her. And she brought everything alive. She was a gifted teacher and so kind and so determined to let those who had talent have an opportunity to bring it out and make use of it.

But she got very fed up. There's a seamy side to it, you know; correcting composition papers is evidently a deadly task for teachers. And at a certain point she gave up the high school and went to Berkeley and got a job with the University Extension. That was after I had finished college; she and my mother moved to Berkeley.

Riess: When she was teaching in the high school then was she supporting your mother? Or did your mother continue taking in boarders and roomers?

Simpson: There was a period when she was really supporting my mother.

I, too, was earning something from a very early age. I sold the Saturday Evening Post, and I worked at odd jobs, took care of people's gardens--"yards" we called them. And during summer vacations I worked on ranches. Aside from having the home as a place to live, I took care of myself financially from a fairly early age.

I think my sister enjoyed the work for the Extension in adult education. And she wrote and published a couple of novels and she wrote articles.

Riess: When was that?

- Simpson: I'm sure she started that during the time she was with the Extension, but then in New York that was what she was doing and she was selling enough stories and even novels to support herself.
- Riess: When did she go to New York?
- Simpson: She went to New York--well, honestly, I don't know. I guess I went to New York before she did. I went to New York in 1925.
- Riess: Yes. Well, that seems like a fairly adventurous move. I take it that she just quit her job at Extension and felt that she would be able to support herself by writing?
- Simpson: She had already had enough accepted so that she wasn't taking entirely a leap in the dark. The two novels were published by Macmillan. One was called Backfire and the other Treadmill. Treadmill was about the Woodland High School. She did not think much of the board of education there and I don't think she was as popular in Woodland after the publication of that book as she had previously been.
- Riess: She didn't return to Woodland?
- Simpson: Well, she didn't return to live. She did visit there and some of her former pupils received her in some hall that they had rented. They put up desks and these fellows, who were by that time middle-aged men, or thereabouts, were sitting at their desks.
- Riess: Oh, isn't that charming! [Laughter] Do you think that it would be appropriate to see her as a liberated woman, with this move to New York and this determination to pursue the literary life?
- Simpson: Well, I don't think she thought in terms of a movement. I think she had enough of a problem taking care of herself. She was a liberated woman, as far as that's concerned.
- Riess: Well, like Virginia Woolf, A Room of One's Own, things like that. Did she do it with a vengeance?
- Simpson: I don't think she was motivated by a reforming spirit.
- Riess: Was she motivated by a need to get away?
- Simpson: Yes. That, definitely. A need to get away. A need to express herself. There was a great cliché at that time that you don't hear now of people wanting to "express themselves."

Riess: You said she died at, I guess, a rather early age also.

Simpson: Yes, she was fifty-seven. It was terrible. She died a lingering death of cancer. And my wife and I looked after her, had her in a hospital and in homes and various places. She had three operations. I think it was terrible. She died before my mother.

My mother used to come to visit us in New York, in the winter especially. I always wanted to get her out before the heat. And my mother was there when my sister died. My mother died not so very long afterward.

### Influences of Youth

Riess: I'd certainly like to learn as much as I can from you about that upbringing with those strong and interesting women.

Simpson: Well, you mean just describe their characteristics?

Riess: No, I'm thinking that it would be inevitable that they would focus on you, the heir to all of this, and all that you could be for them in the way of success, and all that you could be for yourself, in a way that could be a great burden. Perhaps that wasn't the feeling, but I'm interested in what you recall--grandmothers, mothers, sisters, all pushing John a little bit.

Simpson: Well, of course, I worshipped my mother, and she and the others all did many things for me. They tried to impress on me a good way of life.

There's no doubt in my mind that a boy, no matter how fine his womenfolk are, does miss a father. I think I was rather nervous, sensitive. I got into quite a bit of trouble, minor trouble--quarrels, sent home from school with my books, and that sort of thing. I think a boy needs a father.

Riess: Oh, indeed. And yet if you got sent home from school, at least it means that you weren't so retiring as to not have entered into the fray.

Simpson: Oh, I wasn't so retiring.

Riess: When you say "sensitive," to me that suggests retiring.

Simpson: Well, I didn't mean it in exactly that sense.

Riess: Were there teachers in the school who took you in hand and did some fathering that you recall?

Simpson: Not exactly fathering, but there were some splendid teachers. My sister was one. The principal, who was a Jewish gentleman, was a splendid man and did a great deal for me, and he was a good teacher. He taught mathematics, physics, and chemistry. And as I look back at it, it's amazing to me what a good job he did and ran the school too.

Riess: And was it his influence that sent you to the University of California?

Simpson: His and my sister's. My sister became a great enthusiast for the University of California.

The principal encouraged me greatly to go on. He was responsible for my getting the scholarship, which was a Bonnheim Scholarship. Mr. Bonnheim was a merchant in Sacramento and he established scholarships and the principal was instrumental in my getting one.

Riess: What were some of the other childhood influences? Politics? Did you hear much of that?

Simpson: Politics centered around the courthouse and the saloons, and my mother's great advice to me was: "John, never get mixed up in politics"--small town politics you know. And I must say one can understand why the women voted for Prohibition because the saloons in a town like that were a terrible menace. There was so little to do--no moving pictures, but plenty of saloons--and there was an awful lot of drunkenness. Some of my uncles were ruined by it. And I'm sure that happened over the country to a considerable extent and I think that's why the women voted for Prohibition.

Riess: I suppose in a community like Woodland a farmer who had his hand to the plow all the time wouldn't be so tempted, but the more urban residents would be.

Simpson: That's right, but I decided early on that I wanted to be a lawyer.

Riess: How early did you decide that?

Simpson: In high school.

Riess: Was there a lawyer in town with whom you had some contact?

Simpson: Yes, the next-door neighbor was probably the most successful lawyer in town, a very good friend.

Riess: He was a counselor to you?

Simpson: Not particularly. My mother and sister both counseled me to that end.

Riess: What do you think law symbolized for them or for you?

Simpson: Well, my family was what you might call on the intellectual side. By that I mean that they were readers and writers. The whole bent of the family was in that direction. Besides which, I wasn't very good with my summer ranch jobs. I was not a real country boy.

You know, there were three kinds of boys. There were city boys, there were country boys, and there were small-town boys. I was a small-town boy, and not highly regarded by the boss of the haystack.

Riess: Is that your own view of the world--the "Three Boys" view--or is that a well known fact?

Simpson: I never heard anybody else say it. I think it's true. A mule is always a terrible animal. Country boys knew how to handle them. I didn't.

Riess: Did you know any city boys?

Simpson: Oh yes, because my sister Irma married and lived in San Francisco. And I used to come to San Francisco occasionally to visit. I envied the city boys very much. I thought that was hot stuff.

Riess: I guess the best way for a small-town boy to become a city boy is to become a lawyer.

Simpson: Yes.

Riess: Had you considered going east to college?

Simpson: That would have been too monumental an undertaking. You see it was quite an accomplishment to put me through college. And going east, I wouldn't have a home to fall back on at vacation time. It would have been more expensive. And I didn't have any high school principal with contacts. The idea of going to college at Berkeley was so important and such a big step that it never occurred to me to think further.

Simpson: Furthermore, you know, now we think of going east between two meals, but then it was a four-day train trip. When you went east you went way, way off from home.

Summary: the Woodland Days

Simpson: In recalling those days, I remember that the Woodland Opera House was in my time a place for theatrical performances, concerts, and functions of various sorts. It went completely to pieces and has recently been rehabilitated. There's been an organization up there that's made quite a thing of rehabilitating the Opera House and it's now again used for its original purposes.

When I saw that some time ago, it recalled to me that that was where I gave the valedictory at my graduation from high school and the announcement was made that I had received a Bornheim Scholarship to take me through the University of California and it was a big evening for me. I didn't realize then, but I do now, that that was really my good-bye to Woodland.

I have one thing in the notes I made here which I'd rather like to give you.\* There is still a street in Woodland named Pendegast. I realize that it's a leftover from the role that he played in the early days of the town, but when I see it, and I have seen it a couple of times in connection with putting Grete's ashes in the cemetery, "Pendegast" means to me Gertrude Pendegast Simpson.

Riess: I'd like you to summarize your life up to your high school years, as you volunteered to earlier.

Simpson: Well, to summarize very briefly. I was born and brought up in a small town. I had no father, which was a great loss. I had a wonderful mother and some very fine sisters who did a lot for me. I wasn't especially strong. I wasn't very good at athletics. I was a good student, good in grades, but had a good many troubles, partly from lacking a father and partly because I was rather nervous and sensitive by nature.

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\*There will be reference at intervals in these interviews to "notes" or "an outline" which Mr. Simpson prepared and revised concurrent with the interviews and which served as a guide to issues he particularly wished to cover in the meetings.



Simpson: In that way I changed a great deal. For instance, I was very self-conscious, and to introduce anybody at a meeting or anything of that sort was difficult for me. Later on, when I was president of the World Affairs Council here, I enjoyed presiding at a big meeting. I enjoyed introducing somebody to a thousand people and didn't feel a bit bothered by it. I think being away from home for a long time really did me much good.

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Riess: When you decided to go to college and become a lawyer, how did you expect to pay for it?

Simpson: Well, I had the scholarship and I intended to work, probably on ranches during vacations, and then there was a well-to-do family friend named Robert Belcher who offered to lend me what I needed in addition. I did in fact take advantage of his offer and obtained a number of loans from him. Unfortunately, this friend was killed in an accident in the Sierras. Neither he nor I had kept an adequate record of the amounts borrowed, but I settled with the executor or executors and during the post World War I period, when I was making some money, I repaid the full amount agreed upon, with interest. I have always been grateful for this assistance.

## II UNIVERSITY OF CALIFORNIA

[Interview 2: May 4, 1978]

Joining a Fraternity

Riess: When you came to Berkeley, where did you live?

Simpson: I first lived at a boarding house. And then I was invited to join a fraternity. And the common sense of the matter seemed to suggest to my mother and sister and anybody else who was interested in the subject that a boarding house would have been cheaper and more conducive to quiet, studious hours than a fraternity. But I was invited to join a fraternity and was very anxious to do so. And so after the first term I moved into the fraternity house.

Riess: Because you wanted more of the socializing experience.

Simpson: Yes. That's right.

Riess: What fraternity was it?

Simpson: Delta Upsilon.

Riess: And was it a very social fraternity?

Simpson: Yes. But the fact that you saw that medal [distinguished scholar 1913] indicates that I did study. The fraternity didn't have any adverse effects in that respect.

It had a very fine effect in another respect. It put me in a male community. I had lived in a female community, wonderful females, but the fraternity put me in a male environment. I still had some troubles but I think it did me good on the whole. I made life-long friendships of course, and unfortunately most of those friends have passed on. But I did enjoy wonderful companionships and I'm sure that the fears my mother and sister had--that the fraternity might be too distracting--those fears were not realized.

Two Campus Jobs

Riess: Did you work on campus?

Simpson: Well, I think the only thing of that sort that I did was, in my undergraduate years, to represent the Santa Fe railroad trying to boost student trade with the Santa Fe. I talked to people about the virtues of the Santa Fe as contrasted with the Southern Pacific, and tried to get teams routed over the Santa Fe when they were going somewhere else to play, that sort of thing. I don't think I accomplished very much.

My graduate year I was secretary of the Alumni Association. At that time the Alumni Association was nothing like as developed as it is now. It was customary for a law student to be secretary. Herman Phleger was secretary. I guess he went to Harvard, didn't he? When he left and went to Harvard, he passed the job on to me and that paid big pay--\$80 a month, which was a bonanza!

Riess: Was it a lot of work?

Simpson: No, not a lot. It was mostly getting out a weekly bulletin.

Riess: It was the Alumni Association for the entire University or was it the law Alumni Association?

Simpson: Entire University.

Student Activities, Clubs, and Friends

Riess: It strikes me that you were very busy with things other than your distinguished scholarship over the years. I have a list from the Blue and Gold and I would like to know what significance the activities really had.\* For example, Skull and Keys?

Simpson: Well, that was just a social gathering, secret society, which is a lot of nonsense. We had meetings every so often, I don't know how often. But it was really a social interfraternity. I think you had to belong to a fraternity to belong to Skull and Keys. Skull and Keys had lost somewhat in prestige by the time I got there because Golden Bear had become the thing.

Riess: And you were also a member of that.

Simpson: Yes. We prized Golden Bear. If you had your choice of just one thing, you'd rather be Golden Bear than Phi Beta Kappa or Skull and Keys or anything else.

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\*Yearbook of the University of California

Riess: Was it also secret?

Simpson: Not in the nature of Skull and Keys, or the fraternities, with a "grip" and that sort of thing. But you didn't talk about it. It was supposed to be the inner-council. It was the male section of the University where troubles were discussed and dealt with and it would have been very bad form for you then to go out and talk about that with people who were not Golden Bear. So it was, I'd say, not exactly secret but...

Riess: Discreet.

Simpson: Yes.

Riess: Did they then counsel President Wheeler? How did they use their sessions ultimately?

Simpson: (Incidentally, it's changed greatly now.) Well, it met every so often--evenings of course. I don't know whether once a month or oftener, certainly no less. And one thing I happen to remember--there'd been some fighting in the football games between Berkeley and Stanford, and the question was who did it first? So that would be discussed, and a consensus, not a motion, reached that California fellows should never be the first to land a punch on the other fellow's jaw. We would form an opinion and let it be known that that was Golden Bear's opinion.

Benjamin Ide Wheeler was President, and while he was a member of the Golden Bear, he didn't attend. But his secretary, Farnham Griffiths, would carry the message back to him, and his message to us. We thought we were much more important than we were. We thought we were really helping the administration to run the University.

Riess: Well, I'm sure Wheeler would make you feel that way because that was the sort of thing he believed in very firmly, wasn't it?

Simpson: Yes.

Riess: Winged Helmet was the junior honorary society. Was that comparably significant for the junior year to Golden Bear in the senior year?

Simpson: Yes. And I tell you, I've been very fortunate and I've received some nice recognitions, but I think the greatest thrill of that kind I ever had was when my roommate came home late at night and said, "John, you've been elected Winged Helmet," because I didn't expect it. I was still a small-town boy in a big university. And I looked upon people wearing that silver helmet as just utterly beyond my reach.

Simpson: I felt entirely differently the next year because, having made Winged Helmet, I really expected I would be elected to Golden Bear. But I've never forgotten the Winged Helmet surprise. Of course I never slept another wink that night.

Riess: So in your freshman and sophomore years your activities then were your schooling and your fraternity membership, and then the secret societies and honorary things came in the junior and senior years?

Simpson: Yes.

Riess: Why did you take on the Daily Cal? Did you just want a chance at every sort of experience?

Simpson: Well, we were prestige-seekers--at least those who took it seriously. The fraternity wanted you to achieve Golden Bear.

Riess: So it wasn't enough then to have become Winged Helmet--the more the better?

Simpson: Winged Helmet was fine for the junior year but for the senior year it no longer counted for much.

There were two things: there was scholarship and college activities. And the fraternities were very anxious to have their members occupy important positions in college activities. They were much more interested in that than they were in a fellow being a good student. The captain of the football team, he was a great guy.

Riess: But when you made Phi Beta Kappa...

Simpson: That was all right, but nobody...

Riess: Nobody toasted you for that one? The entrée into the world was to be a big man on campus, rather than a distinguished scholar.

Simpson: Yes. But you know there were a lot of disappointments. The big men on campus didn't necessarily become big men in the big world.

Riess: Was the John Marshall Law Club an honorary group?

Simpson: I don't remember it at all. There was a law fraternity, the Greek letters of which I've forgotten.

Riess: Yes. There was a Phi Beta Phi and there was a Delta Sigma. One of them must have been a law fraternity that you belonged to.

Riess: What was Sphinx?

Simpson: I don't remember. I think that was a new one to sort of take some of the glory away from the Order of the Golden Bear. I think it was perhaps possibly more serious with regard to discussing public affairs. I'm not sure. Are there any names of individuals connected with it?

Riess: No, it seems an enigma.

Simpson: The name is vaguely familiar.

Riess: Well, I would be interested if there was a place where the affairs of the world were discussed and what you recall of that aspect of your life.

Simpson: There was nothing like the World Affairs Council here. We were more interested in making Golden Bear, I think. In that sense I think we were much more provincial than the corresponding students today.

Riess: When you went to University Meetings, for instance, and Benjamin Ide Wheeler would get up and speak to the assembled students, that would have been an opportunity for him to have brought the affairs of the world to the University. But I would gather from what I've read of him that he would be more exhorting you to greater achievements in terms of "the big man on campus" image. He didn't play a role of bringing the world to the students?

Simpson: No, he didn't. The people that did that were people who were radical and trying to break through the establishment.

#### Some Unusual Professors

Riess: And who were they?

Simpson: Well, Carl Parker had a great influence on me.

Riess: Who else?

Simpson: Herbert Corey, teacher of English.

Riess: What was his view?

Simpson: Oh, I don't know.

Riess: Were these socialists?

Simpson: They were New Dealers before the New Deal.

Riess: Who were the other influential professors for you?

Simpson: Well, I had some excellent professors and some pretty poor. I consider on the whole I had a very good education in the sense that it has given me a good education. Galey in English, Flaherty in English, Wells in English. I had excellent English teachers. If I don't know the language, it isn't their fault. Reed, I guess, in political science, and Miller in economics, and of course Henry Morse Stephens. And they gave me a great deal.

The great mistake I made was to try to take what I considered pre-law courses and I got into philosophy and psychology and logic and they were not so good. Arthur Pope, does his name mean anything to you? Arthur Pope was a wonderful fellow and of course he and his wife did this stupendous thing on Persia. But he was not a good teacher of logic. Achilles and the Tortoise-- that famous race between Achilles and the Tortoise!

There was a dull textbook course on psychology, but I beat that by reading Freud on my own.

And then there was a man who was considered very fine in philosophy. His name I have forgotten. I got nothing out of the course and had no interest in philosophy until I read Will Durant's book, The Story of Philosophy, later and was fascinated by it. Donald McLaughlin said an interesting thing about that. He said everybody in the Harvard Philosophy Department said this was a popular book of no consequence. And everyone wished he'd written it!

#### University Medalist, 1913

Riess: In 1913 you won the University's medal as the most distinguished scholar, and that was quite an achievement. Did it come as a surprise to you?

Simpson: I knew that I was a contender.

Riess: How is that awarded?

Simpson: I don't know.

Riess: I mean, how would you know that you were a contender?

Simpson: Well, I'd been elected to Phi Beta Kappa in my junior year and I knew my marks were very high. I didn't give much thought to it, though. It wasn't on my mind at all. And I really was surprised, not overwhelmed with surprise, but I had not expected it.

You know, I don't believe in the University Medal. I don't think it's sensible to pick out one individual. I think Phi Beta Kappa's all right and corresponds to graduating with honors. I think that is good; there should be some distinction between a student who has done very well, exceptionally well, and those who have not. But to pick out one...

Riess: Was it designed to intensify competition, do you think?

Simpson: Oh, I don't know. I don't know.

I was very good at taking examinations. I studied the problem of an examination carefully and I planned every examination as a general might plan a battle. And I think I got the maximum benefit as to marks out of what I knew. I had the feeling that two or three people in law school were really better than I. We had the honor system. We could leave the room during an examination, to go downstairs or smoke a cigarette or do whatever we wanted, and I would notice some fellow who was absolutely tops in class walking around in the washroom with perspiration bubbling off his face, and I was cool as a cucumber. I think I made the most in marks of whatever I had in my head and I think I deserved Phi Beta Kappa.

But "most distinguished!" What in the world does that mean? How could a student just doing his college work be "distinguished?"

Who's the Polaroid fellow? Land? I don't know how he did at college, but he was distinguished.

Riess: As a matter of fact, if you were to think of somebody else who should have gotten it, are there any obvious contenders in the year 1913?

Simpson: Yes. Barbara [Nachtrieb] Armstrong. If I hadn't got it, I think she would have.

Speaking of grades, do you want an anecdote?

Riess: Yes.



Simpson: Well, a friend who had taken his Ph.D in Germany had come back about the time I was in my second year in law. (I had two years of law. I took law in my senior year, as you could do, and then one graduate year.) He took an interest in me because we were old family friends--his family was from Vacaville-- and I'll tell you more later on about him.

He said, "You are studying too hard, John. You're not taking enough time out. You're not having enough fun. This is no good. Fellows burn themselves out. What's the use? Let me see your card."

Well, I think I had four courses. I had three A's and a B in contracts. And he said, "Now look at that card: Why do you have to have that kind of a card?" Then he looked at it some more and said, "What was the matter with the contracts, John?" [Laughter] I'd fallen down.

That man [Carleton Parker] played a very important role in my life, which in some way or other you would want me to tell you. But I think it's probably premature now.

Riess: All right. Was Woodrow Wilson a charismatic figure as far as you were concerned?

Simpson: Rather, yes. I voted for him, incidentally. Woodrow Wilson spoke in the Greek Theater and Theodore Roosevelt did also. But I wasn't really very interested in politics. As I think we mentioned last time, the students then in general were less interested in national and state politics than they are now.

#### The Telephone at the Exposition

Riess: The Panama-Pacific International Exposition [1915], was that something that you took yourself to?

Simpson: Yes, I loved it. I went very often. It was beautiful, you know, a beautiful exposition.

The Telephone Company had a hook-up there and a fellow in charge of it, and people clustered around the thing. This fellow was a friend of mine and when he selected somebody from the crowd to telephone to Atlantic City he selected me. [Chuckles] I went to the telephone and heard the waves of the Atlantic beating on the beach at Atlantic City.

- Riess: That was a rare period in American history, in a way.
- Simpson: Yes, it was. The automobile came into being.
- Riess: There hadn't been any wars for a long time.
- Simpson: No.
- Riess: The spirit when you were at the University was fairly upbeat.
- Simpson: Oh, yes. Oh, yes. We thought all we needed to do was to behave ourselves and work hard and nothing bad could happen.

#### Law Education and Plans

- Riess: What aspect of law were you particularly interested in and what did you expect to do in your career in law?
- Simpson: Well, I think all bright law students are interested in constitutional law. Otherwise, I don't think I was more interested in any one phase of law than another.
- Riess: Why are "all bright students interested in constitutional law?"
- Simpson: It's so basic. The decisions of the court are so important and oftentimes so controversial. And constitutional law goes back to the foundation of the republic and those great early decisions of Marshall. Oh, I still am interested in it.
- Riess: Who taught you constitutional law? Do you recall?
- Simpson: No, I don't. I'm sorry.
- Riess: Were you well grounded in history, did you feel, before you entered law school?
- Simpson: Reasonably so, yes. I took the standard history courses in high school and had a very good history teacher. And in college I had Henry Morse Stephens in English history and Frederick Teggart.

I was greatly shocked, I think it was by Teggart. who said that the colonies were very obstreperous, that they were well treated by England and on the whole had no provocation to make a revolution at all. Nobody in Woodland had told me that.

- Riess: Well, that was very provocative.

Simpson: Probably that's why he said it, to shake us up a little.

Riess: How about international law?

Simpson: Max Thelen gave a course in international law which was very interesting at the time. It dealt mainly with the two Hague Conferences. You recall there were two.

Riess: Had you aspirations to a particular kind of practice or career?

Simpson: No. I had at that time aspirations to go ahead and finish my law courses and be admitted to the bar.

Riess: I would ask you to say something of where you were heading at that point, because that point, of course, was just prior to your very important decision to join Hoover and go off to the CRB.

Simpson: Well, that was the time when I gave up finishing my law course, which I did. I had had a very normal and, on the whole, very satisfactory boyhood and college years and was headed to get my J.D. and get a job with a law firm in San Francisco.

#### Carl Parker and the Wheatland Riots

Riess: How did this other decision come onto the horizon?

Simpson: Well, that was Carl [Carleton] Parker's doing and entirely changed the course of my life. That's quite a story. I mean, I can't dispose of it in a word.

Riess: I think that we're ready for that story.

Simpson: All right. Carl Parker took his degree in Germany, Heidelberg, I think. And Germany at that time was an advanced country in social matters, social insurance and workman's compensation and all that sort of thing, and Carl Parker came back a New Dealer before the New Deal. He wanted to be a reformer and he wanted the young men with whom he had contact and influence to be reformers.

There was a riot up near Marysville. Migrant workers clashed with the sheriff. People were killed. They had a trial. And Carl Parker persuaded several of us to take two or three weeks off, which we had no business to do, from our law courses, and to go up and learn all the social implications of the Wheatland Riots. Henry Breck, Fred Mills, another fellow whose name I've forgotten, and I went.

Riess: You had been his students?

Simpson: No, we hadn't been his students at all. He had been in Germany.

Riess: How did he light on this particular group of law students?

Simpson: Well, he was a most attractive fellow and he was a member of Golden Bear. Oh, it was very easy for him to light on anybody that he wanted to because he was really most attractive, nice. And he began to talk to me about the terrible thing of becoming a lawyer, and I'd be a corporation lawyer, and instead of that I should go out and save the world.

Riess: That must have rung some bell in you.

Simpson: Yes, I suppose it did, although I don't think I would have changed my course had it not been for him. But finally he persuaded me to change my course entirely.

I had finished my second year of law, and instead of going on and taking my third year, I quit law school but took a couple of months to study for the California Bar examinations, which were very easy at that time, and took my bar examinations and, of course, passed them.

Then he had become director of the California Commission of Immigration and Housing and I took a job with this commission in San Francisco, but I could see that that wasn't much of a job.

Through Professor [Adolph C.] Miller, I guess it was, or in some way, I got a job in Washington with the newly formed Federal Trade Commission. I thought that was great because I would go to Washington and in Washington I would be in a key position to reform the world. I didn't realize that I had every prospect of becoming a hack government bureaucrat.

I think it was really an irresponsible thing that Carl Parker did.

Riess: You mean, to hold out this utopian possibility?

Simpson: Yes. And I was poor. I didn't have any money. I had my mother and I had every reason to get busy and begin taking care of my responsibilities. But youth is youth, and my good fairy came to my rescue because the war broke out and Hoover set up the Belgian Relief.

Riess: Was Parker with you on that Marysville trip?

Simpson: Yes.

Riess: Did you interview people, or did you stay out of the way?

Simpson: I suppose we talked to the people. Yes, I think so. And we witnessed the trial and stayed about a week, I suppose.

Riess: Was it a chance to see real oppression of people?

Simpson: You mean these migrant workers?

Riess: Yes.

Simpson: They didn't look very oppressed. There was a great deal of talk about bad sanitation and that sort of thing. I think we were more taken by the theory than by the facts.

Riess: What's the theory?

Simpson: The theory that the rich are too rich and the poor are too poor.

I don't hold it against Carl Parker. I think he did a very wrong thing in principle, upsetting the careers of young men, but I feel that as far as I was concerned [despite the change in direction] I've had a very good life, I've done a lot of interesting things, and I got my wife, which was the greatest thing that ever happened to me. So, I think I came out all right, probably as well as though I'd got a job with one of the law firms.

Riess: In fact, if you are to think in terms of your Random Notes, a point where you might have begun that history of yourself was that one day a man suggested to you that you and your friends should go and take a look at the Wheatland Riots...\*

Simpson: Yes, that was perhaps the beginning.

Riess: You said, "upset the lives of young men." What about the lives of your friends Henry Breck and Fred Mills?

Simpson: Henry Breck's job was with the Federal Reserve Bank and he did well in it and later went into private banking and proved to be very successful. Fred Mills became an economist and had a very distinguished career at Columbia.

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\*Random Notes, Recollections of My Early Life, by John L. Simpson, is to be found in the Appendices.

Three Months Become Seven Years

Simpson: Although I had the job in Washington, I never worked at it. I passed through Washington, checked in, and then I went to Belgium for three months which turned into the duration of the war.

At first I had a bad conscience and felt that I should go back to Washington and get paid a little something while I saved the world. But one day I was asked--the director in Brussels, William Poland, wanted to see me. I was taken to his office and he said, "Pink..." (That was my nickname.)

Riess: I've been wanting to ask you about that nickname.

Simpson: It's a college nickname. I had red hair, and there was a "Brick" already.

"Pink, I understand that you feel that you have to leave on account of your responsibilities."

"Yes, that's right."

"You feel a responsibility toward your mother."

I said, "Yes."

"Suppose we sent your mother \$100 a month?" Remember, this was 1915 and \$100 was a lot of money, far more than I could have sent for I don't know what length of time.

I said, "Of course that would change everything, I could stay on then."

"Well," he said, "let's consider that settled." He said, "You know, this is a delicate situation here. Some people come and don't get along very well and have to be sent home. You do get along and we'd like you to stay." So, I stayed.

Riess: That answers quite a few questions that I had about just that. The arrangement was that they gave you a sort of cost of living allowance?

Simpson: Yes. In general we didn't get any salary at all; we got an allowance. And they upped my allowance because they wanted me to stay.

Riess: They upped it in the form of sending money to your mother, or did they in fact up your allowance also?

Simpson: No, no. The allowance was not changed.

### III HOOVER AND THE COMMISSION FOR RELIEF IN BELGIUM\*

#### Staffing of the CRB

Simpson: You know about the nature of the Commission for Relief in Belgium, I think, don't you?

Hoover had to have some neutrals, and the easiest thing was to get some Americans from Oxford, and the next easiest thing was to have the first set of recruits bring in some more. One of my friends had been at Oxford and had been in the first group and then came here on a visit and asked me whether I would like to go to Belgium for two or three months.

I said yes. I had "ants in my pants." I arranged to have a leave of absence from this "marvelous" job in Washington. And they were terribly nice about it, I suppose they didn't care whether I came or not, anyway, and so I went to Belgium.

Riess: Who recruited you from Oxford?

Simpson: It was Tracy Kittredge and he recruited both Clare Torrey and myself.

Riess: Tracy Kittredge was from California?

Simpson: Yes.

Riess: Were these people drafted as it were from Oxford? Or did they, as you, go willingly?

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\*Mr. Simpson's acquaintance with Herbert Hoover and his years abroad with the CRB and other Hoover organizations are chronicled in his book, Random Notes. Readers are also referred to the Henle interview (see note p. 36).

Simpson: Oh, they went willingly. There was no mention of the draft. Hoover had no power to draft them.

Riess: Yes. And had you heard of Hoover anywhere along the way in your life?

Simpson: No, I'd never heard his name.

Riess: With this system of people asking other people to come, what happened to the ones who didn't fit in?

Simpson: Well, you know, it was a marvelous thing. They were "promoted."

There was an office in London, which was partly for financial matters and partly for the direction of ships, and there were a couple of volunteers there, like Mr. Hoover, and then some hired accountants. But once in a while, if a fellow in Belgium wasn't getting along very well, he would be "promoted" to a position in the London office. "There was a great gap there and they badly needed somebody," and so he would receive that honor, and he'd go to London. And after he'd been in London for a couple of weeks with nothing whatsoever to do, he'd go home.

Riess: [Laughter] I see. Well, that's very nicely conceived, isn't it.

Simpson: Those of us who were on the in, one of us would say, "Did you hear that so-and-so has been promoted?"

"No, but I knew he would be pretty soon."

Riess: Getting back to what characterized the men that Hoover chose, what qualities were necessary? The problem was to get along with the natives, so to speak, and the rest of the staff?

Simpson: And to get along with the Germans, because we were all anti-German. While we naturally were permitted to harbor any ideas and prejudices that we wanted, we were strictly ordered to act as neutrals. We were there as neutrals, that's why we were there, and that's why we could be there. Some just didn't get along with the Germans. Some didn't get along with the Belgians.

Riess: So, it was important not to be a political person, then, in any way?

Simpson: Well, the requirements were common sense, reasonable intelligence, and ability to get along with people.

Riess: Did they do very well then, for the most part, in picking their people?



Simpson: Yes. There were very few casualties.

Riess: Do you think that that system of people recommending friends is a good way of handling just such a hiring situation?

Simpson: I think it handled that pretty well. Of course, others applied. I think some heard there was such a thing and applied.

Riess: I wondered if you thought that your work for the Belgian Relief really was as you said, "saving the world."

Simpson: We all thought it was a great adventure. We thought we were doing a good thing in helping people that ought to be helped, but we really were for the adventure. We didn't know whether it was going to be dangerous or not, and indeed it was not.

Riess: Were you pacifist in your orientation, or neutral?

Simpson: Well, this matter had never come up until the war broke out. We were so remote from the European countries that it wasn't a question of being pacifist or not. As far as our emotion was concerned we were practically all, with very, very few exceptions, anti-German and pro-Allies.

Above all we were young and we were full of the spirit of adventure and predisposed to be loyal to our leader. For at that time Mr. Hoover managed to convey the feeling that he liked us as much as we liked him, and we adored him. There was a marvelous esprit de corps in the organization. We believed that we were doing an important job; we were very proud of being members of the CRB; we had a thing we wore in our buttonhole.

The Belgian organization for distribution was parallel, and one Belgian, for reasons I don't know, was made a member of the CRB. He was the only Belgian who wore the CRB badge and he was just as proud as punch of that. We thought that there were two kinds of people in the world: the members of the CRB and the rest.

Riess: What you're saying in a way is that you rallied around Hoover as much as the organization, in fact, more so than the organization.

Simpson: Oh, the two were the same, really. Hoover was the organization.

[Interview 3: May 11, 1978]

John Simpson's Meetings with Herbert Hoover

Riess: I'd like to ask you when you first met Mr. Hoover.

Simpson: I had been appointed a delegate of the CRB and was on my way to Belgium, which meant taking a ship from New York to Liverpool and then proceeding to Rotterdam. I spent the night in Rotterdam and left the next day for Belgium.

It so happened that Mr. Hoover, who made frequent trips visiting all the belligerent powers (notably England, France, and Germany, and, of course, including Belgium), was going to Belgium at that particular time. So, we rode together by automobile to the Belgian border. We naturally talked about the CRB operation. I asked him questions and he gave me answers and instructions.

I think I have mentioned that the instructions were very strict. There were two notable things he emphasized: One was to take no papers of any kind across the border; there should be no semblance of communication of that sort. And the other general command was that while I could think anything I wanted to regarding the war and the belligerents and my preferences and so on, I must act in strict neutrality. If I didn't, I risked the whole feeding operation.

Riess: What was the risk? That you would be reported? By whom?

Simpson: The risk to me would be that I would have to leave if I did not act in a neutral fashion. The general risk was that if there were a sufficient number of instances of violation of the neutrality rule, the British might call off their permission to put the food through the blockade.

The *raison d'être* for the Commission for Relief of Belgium was to supply the British with sufficient assurance that the Germans were not taking the food, so that they would permit it to go through the blockade.

Riess: When Hoover said that you would risk the success of the enterprise, it seems to me that that puts it on fairly shaky grounds.

Simpson: Well, it would be a matter of degree. There was no hard and fast rule, except that if the British thought the food was going to the Germans, they'd call the deal off.

Riess: Did it ever get close to that?

Simpson: No. I believe that the control worked very well.

Riess: It was lucky that you had a chance to talk to Mr. Hoover. Generally speaking, one would have gained one's instructions from whom?

Simpson: The director of relief in Brussels.

Riess: And that was Poland?

Simpson: Yes. Mr. Poland. Billy Poland.

Riess: Was Mr. Hoover chummy at all?

Simpson: No.

Riess: I wondered if he ever said something like, "Oh, Simpson, you're doing what I'd like to do. Instead of being here at the top worrying about things, I'd like to just be out there in the field."

Simpson: No. But he could be very pleasant. For instance, we had the weekly meetings in Brussels. We were called in from our posts. And his greeting was, "How are things down in your bailiwick, Simpson?" He had his human side. But as the author of that paragraph makes clear Hoover was very reserved.\*

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\*Aggressive Introvert: Herbert Hoover and Public Relations Management, 1911-1932, Craig Lloyd, Ohio State University Press, Columbus, O. 1972, pp. 3, 4.

"Henry Pringle's 1928 description is representative of many accounts of Hoover's personality, a personality that--with respect to its outstanding traits--does not seem to have altered much from adolescence to old age:

'He is abnormally shy, abnormally sensitive, filled with an impassioned pride in his personal integrity, and ever apprehensive that he may be made to appear ridiculous. He rises awkwardly as a visitor is shown to his desk, and extends his hand only halfway, in a hesitant fashion. His clasp is less than crushing. Then he sits down and waits for questions. His answers are given in rapid, terse manner and when he is finished he simply stops. Other men would look up, smile, or round off a phrase. Hoover is like a machine that has run down. Another question starts him off again. He stares at his shoes, and because he looks down so much of the time, the casual guest obtains only a hazy impression of his appearance.'"

Riess: Craig Lloyd also said that Hoover was "self-righteous in his sense of superiority of judgment," and yet very "sensitive to criticism," a touchy combination.

Simpson: I think that's correct.

Riess: You talked with Hoover when you were in the car going to the border. And then the next time was at dinner in Brussels?

Simpson: Yes, and he talked quite freely all that evening, for a couple of hours. He discussed American politics. I remember he expressed great admiration for Wilson. I recall that he said that he thought if Wilson was defeated this time, he would be elected again some other time. And he was very outgoing and very nice, quite different from his attitudes on many other occasions.

Riess: His attitude generally was more reticent?

Simpson: Yes. He gave the impression generally that he was preoccupied with large things and didn't have time for you.

Riess: And yet he knew your name.

Simpson: Oh, yes.

#### Working For and With The Chief

Riess: You called him "Chief." Had you gotten word ahead of time that that was the way to address him?

Simpson: No. That was just in token of our loyalty and admiration. And we were very loyal and very admiring.

Riess: Was it in any sense the idea of "Chief" as in a sort of military structure?

Simpson: No, no. Not military.

Riess: Do you think that he was in general more open with people who were his junior in some way?

Simpson: I don't know that he was more open, but I think you had a better chance of getting along and staying in your job if you were a junior. There was a saying that the office next to Mr. Hoover's frequently changed its occupant. [Chuckles]

Simpson: The idea was that if you were close you might perhaps argue about some policy matter, and Mr. Hoover did not like you to disagree with him. He definitely did not like you to disagree with him.

To jump ahead, when I was in Paris my boss--I had several bosses seriatim and the last one did a very kind and thoughtful thing for me. He took me out to lunch. This was after the armistice. He said, "Simpson, I don't agree with Hoover on certain matters of policy and I'm going home. Now, don't you get mixed up in this."

Riess: The "office next to him" was occupied first by Poland and then by Vernon Kellogg. Or was that a different relationship?

Simpson: No, that's right. I think Kellogg had occupied it even before and had taken leave and then come back. I don't think Kellogg's vacating the office was a matter of disagreement with Mr. Hoover. I think he was one of those who came and went.

Riess: But Poland--

Simpson: Poland left before the end of the war and was succeeded by--

Riess: Millard Shaler?

Simpson: No. I'll tell you about him in a moment. No. Mr. Warren Gregory, a lawyer, of San Francisco, succeeded him. He was the last director.

Millard Shaler was an American who was in business in Belgium. I guess mining interests. And he was a sort of a guide, philosopher, and friend and wasn't one who would be dismissed or released.

Riess: You mean, he had this role in relation to Hoover, "guide, philosopher, and friend?"

Simpson: Yes, I think so. He had it in relation to all of us. He was a resident of Brussels, an American who lived abroad. He didn't have an administrative status. A very fine man.

Riess: In your interview with Mr. Henle, you said that Hoover had taken on the responsibility for the food and life and general conditions of 7,000,000 Belgians and 2,000,000 French in northern occupied

Riess: France.\* Was this really Hoover's attitude, that it was he alone against the famine, or something like that?

Simpson: I think it was. Mr. Hoover was not a modest man. Yes, I think it was. I think he felt that he had this mission. As I said, he traveled from one belligerent capital to another, being one of the few who were in that position, and he negotiated with the British, the French, and the Germans, and the Belgians, because there was also a matter of Belgian negotiations. There had to be a Belgian set-up, you see. I didn't hand out sacks of flour; there had to be a Belgian organization to receive the food and distribute it.

Our role was a supervisory one, supervision of that operation, and also we were sort of tolerated spies. But our range of espionage was very limited.

#### The Role of the Neutral

Riess: And that fit into the neutrality picture?

Simpson: Yes. We were neutrals allowed into a military situation, provided we confined ourselves strictly to the matter of the arrival, conservation, and distribution of the food. As long as we stuck to that, we were all right.

Riess: But to the extent that you were good observers, how were your observations used or gleaned when you got back to headquarters?

Simpson: We'd report to the director in Brussels.

Riess: You were reporting on the week's activities, but what if you noticed somebody scurrying back and forth across a street regularly at 10:00 p.m. and it looked suspicious?

Simpson: We would report it and if it seemed serious enough the director would take it up with the Germans. Or, if we felt we could, we would argue it out ourselves with the Germans. In Random Notes

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\*Oral History interview with Mr. John L. Simpson by Raymond Henle, Sept. 20, 1967, for the Herbert Hoover Presidential Library, West Branch, Iowa, and the Hoover Institution on War, Revolution and Peace, Stanford, California, copy on deposit in The Bancroft Library, UCB.

Simpson: I have an account of a big battle I had with my German officer on that very point. Those German officers were really much nicer fellows than we admitted at the time. They'd been German bank representatives in London and New York, and before the war they'd have been considered very pleasant people to know and have relations with. The war had converted them into brutes.

Riess: But not yet.

Simpson: Well, they never were cruel men. They were a bit arrogant, perhaps. But after the first invasion, when a lot of outrages occurred, shooting of hostages and all that, after that period, knowing what I know now about military matters (military matters in the sense of invasions), I think it was a rather moderate military occupation. I didn't think so then.

Later on, when I crossed the Atlantic on the same liner with one of these ex-accompanying officers, well, he was just like anybody else. He didn't have any idea, except to have friendly chats, dinner and so on.

Riess: Yes. But at the time it must have been a great burden to be neutral.

Simpson: It was.

Riess: Were you able to confide in a diary or anything like that? Or would that have come under Mr. Hoover's rule of never having a scrap of paper cross the borders?

Simpson: You could have written a diary, but it would have been against the rules to take it out with you.

Riess: So, what did you do when you were fit to be tied and you couldn't do anything?

Simpson: You mean when you had a difference?

Riess: Yes.

Simpson: Well, you would argue. There's one incident I could recount. The Germans, of course, furnished cars and we drove around to the different regional headquarters and larger communes. In one place we were so near the front that the German soldiers were billeted with peasants. And both the soldiers and the peasants were more interested in eating than they were in the war. The German soldiers pooled their military rations with the food that the peasants got from the Belgian Relief, and there they were having--there's a marvelous expression in French for when you throw everything into the pot and share it.

Simpson: "Well," I said, "This is terrible! The Germans are getting the Commission food. And the Commission food has been moved into a warehouse where there are German rations also, which means that there's no distinction and the Germans are getting CRB food."

Captain Weber, my accompanying officer, gave the explanation that I mentioned. I said, "That's no good. That food ought to be moved. The Commission food should be moved out of that house and I'm going to report this."

The officer said, "Well, that's ridiculous. There's no violation at all and there's nothing for you to report."

"But," I said, "I'm going to report it."

We then drove on somewhere else and turned back later in the day to pass through the same village. Weber stopped the car and got out and he came back a little later and said, "Well, Mr. Simpson, I've ordered the food moved out of that shed to please you, although I didn't have to."

I wouldn't take anything from anybody. [Chuckles] I said, "You did have to. I'm glad you did, but you did have to."

He said, "I didn't."

So I went up to Brussels to a meeting--Kellogg was director then--and I told him I wanted a private talk with him. I related this incident.

He said, "Well, Simpson, he moved the food, didn't he?"

"Yes, but he said he didn't have to."

And Kellogg said, "But he did move it, didn't he?"

"Well, yes, he did."

He said, "That's what you wanted, wasn't it?"

Riess: [Laughter] You could be a thorn in someone's side, couldn't you?

Simpson: So, I think that the leakage was very small, very small.

Riess: You said that Millard Shaler was a good adviser and a close friend. Were there other people who had that relationship to Hoover that you recall?

Simpson: Yes. Edgar Rickard.



A Look at the Style of Hoover

Riess: A quote from Hoover that I found in Lloyd's book that I thought was interesting was: "We are only a group of glorified office boys trying to get away with a tremendous job. No one has the right to glory out of it."

It suggests a faceless modesty.

Simpson: Oh, well, I think that's a good way to talk. I think that's sort of oratory for public consumption.

Riess: Lloyd says that Hoover was "acutely miserable at public acclaim."

Simpson: It is true that Hoover was shy and not very articulate and did not express himself particularly well or particularly easily. But the point was that he didn't like acclaim?

Riess: "Acutely miserable at public acclaim."

Simpson: I think that's kind of an exaggeration.

Riess: And he would focus on the work and not the man.

Simpson: Well, that was the correct thing to do, wasn't it?

Riess: You're saying that this is just good politics or good policy?

Simpson: Good manners.

Riess: Did you have any more direct contacts with him in your time in Europe, for instance, when you then went into the Food Administration? Did that involve any tête-à-tête?

Simpson: No. He was in Paris very little. He practically didn't come to Europe till near the end of the war, because his job with the Food Administration was not to enforce but to persuade people here to support a military action rationing plan.

His problem during most of the time of our belligerency in the war was at home. He did come to London towards the end; I don't remember just when. I went over from Paris to London and I saw him then and talked with him. I had nice relations and occasional conversations, but I obviously was not--he didn't ask me how to better run the Administration.

Riess: Was his campaign to get people to eat less in this country practical, or was that more psychological?

Simpson: I think it was practical.

Riess: I enjoyed very much reading the story of the two food experts, a wonderful example of, as you said, Hoover's ability to persuade without bullying [Random Notes, pp. 33-36].

The boxcars full of salt in exchange for the grain was another excellent example of the same kind of thinking [Random Notes, pp. 55, 56].

Simpson: Yes. Hoover said, "If we're ever going to get out of here, we've got to get this restoration of trade and interchange." He undoubtedly gave instructions to his top people to do everything possible to get an interchange of goods started. And perhaps it was my immediate boss, Warren Gregory, who may have had the salt train idea. But it was Hoover's general policy of which this was an instance.

You see, just as Truman acquiesced in the over-hasty demobilization of our forces after World War II, there was a great wave of sentiment in this country wanting to go back to normalcy: "Get those boys out of Europe! What are they doing there anyway?" And that pressure of public opinion induced Hoover and his lieutenants to resort to all sorts of means to try to get trade started. And somebody had the bright idea--I didn't--of moving that salt out of Austria, down to Belgrade.

Riess: Was Hoover a memo-writer, or did he communicate more by word of mouth?

Simpson: As he did not give me any direct instructions, I wouldn't really know. But I did not have the impression that he was a great fellow for paperwork.



John Simpson,  
college photo  
ca. 1914



John L. Simpson,  
New York, ca. 1923



Grete Simpson with  
Mrs. Simpson, 1920s.



Group Photograph of the members of the C.R.B.



Later Meetings with Hoover

Simpson: For instance, in later years he had his apartment in the Waldorf Towers in New York and he kept an apartment, or occupied an apartment, in the Mark Hopkins Hotel when he was here. If I was in New York or here, usually I tried always to pay a call on him, a courtesy call. I'd go in and he would be courteous but I could feel that he wasn't very interested and I would make conversation and usually leave in about ten or fifteen minutes.

One time I was very pleased. He had a lot of papers, which were in a kind of a mess, and he said, "Simpson, would you--?" I guess he called me "John." I don't know. "Would you straighten these papers out for me? Would you take them home with you and see if you can put them in good order?"

I said, "Yes, I'd be delighted to." I gave them to Mrs. Thomson, my secretary, to put them in good order. [Chuckles] And she did.

On another occasion, I stayed longer, and for a special reason. He again complained that he was overloaded with papers and documents and things, and he said he did wish he had an assistant here, because his secretaries were in New York, somebody who knew something about the subject who would help him out. I said, and this is one of the worst gaffes I ever made, "Well, Chief, Harold Fisher's around here. I don't know what he's doing."

Does the name mean anything to you?

Riess: No.

Simpson: I guess he's an economist. And he'd been associated with the Hoover organization in some way. I didn't know him well, but I knew he was a very nice fellow and quite knowledgeable and well received in the community. But what I did not know was that he had been a New Dealer. That stay, that visit to Mr. Hoover, lasted three-quarters of an hour, because it took him that long to tell me what he thought of Harold Fisher!

Riess: And was it Harold Fisher whom he focussed on, or was it the New Deal that he was really focussing on?

Simpson: Well, he focussed on Harold Fisher as representing the New Deal.

Riess: The evils of it.

Simpson: He was very intolerant of anything like that.

Riess: He lived through so much history. He must have been intolerant of a lot of it.

Simpson: He was. He was.

Riess: What kind of papers did he have that he needed work on? Were these his memoirs?

Simpson: Yes.

Riess: So, he was essentially living in the past, then, in the times that you saw him?

Simpson: I don't think he thought he was living in the past; he thought he was living in the present and didn't like it very much. He never, down to the very end, gave me the impression of being a feeble old man.

Mr. Hoover, like all human beings, had his different sides. And one thing which I feel that he did lack is the marvelous concept which goes back to the common law of England: there are points on which reasonable men may differ. Because a fellow differs with you, it may not mean that he is utterly unreasonable.

Riess: Yes.

Simpson: But Mr. Hoover took a difference of opinion very personally. And I kind of hate to say that, but it is true. He never would have said, "I disagree with every word you say but I would defend to the utmost your right to say it." He wouldn't have said that.

Riess: He would prefer to wish you and your thoughts away.

Simpson: Yes.

Riess: Who did he have around him in those years?

Simpson: Well, I think one who was among the closest to him was Lewis Strauss, whom you know of. And Hallam Tuck. Sidney Mitchell. Perrin Galpin, until the terrible breach occurred. And a fellow who was older than our generation, but I've forgotten his name, who was a mining engineer, oh yes: Scott Turner.

Riess: How about the newspapermen? Did they fall away from him after he fell from favor in this country, so to speak?

- Simpson: Oh, I don't think so. I don't know anybody who had been close to him, really close to him, who fell away. A man like Harold Fisher had never been really close to him.
- Riess: So, in that forty-five minutes in which he spoke of the sins of Harold Fisher and the New Deal, he lectured and you listened. That was not an opportunity for a kind of chat about the New Deal, I take it.
- Simpson: I think not! [Laughter] My ambition at that point was to get out of there.

### Hoover and the People

- Simpson: Hoover was first a mining engineer, associated with British interests, and then on his own. I really think he made the money in Burma.
- Riess: Do you think it set well with him, with his Quaker background, to be a rich man?
- Simpson: Yes, but having become a rich man, he didn't want to become just richer. He wanted sincerely, I'm sure, to do public service and help people, but in a wholesale way. I don't think he was terribly sympathetic to the fellow selling lead pencils on the corner, but I think he was very desirous to create a society where that fellow wouldn't be selling lead pencils on the corner.
- Riess: And how about a wish to improve international understanding? Was that basic to it?
- Simpson: Yes, of course. But, you know, despite the fact that he lived abroad so much, he didn't like foreigners very much. He never went native. Well, the only place where he might have gone native was England, but he certainly didn't. He was just the type of American who's made to order not to like the French.

And, you know, the French did the stupidest thing. At the time when the renegotiation of the war debts was on and Hoover was Secretary of Commerce, these crazy French sent a form letter through all that area of Northern France where the 2,000,000 French had benefitted from the CRB. Hundreds or thousands of letters were signed by people of those regions, and packed up in a couple of trunks or boxes and sent to Hoover. He was fit to be tied. How can you be so foolish?

Simpson: I wouldn't want to say that he was an uncultivated man, but I don't think he ever tried to dig under the surface to find out what a country was like. I don't think he made any great effort to understand the French, or maybe even the English.

Riess: Or maybe even the Americans?

Simpson: No, I think he was an unreconstructed American.

Riess: And he gathered around himself many Californians.

Simpson: Well, I remember one time he said--this was in the days of trains, before the airplane took over--that he always liked to cross the continent best going West.

Riess: You mentioned once that Hoover could be rude to the extent of not inviting a visitor to sit down. To what sort of people would he behave so?

Simpson: I think if he did not ask the person to sit down, it was because he didn't want to spend the time. I think it was a matter of minimizing the time he was going to have to waste with a fellow, rather than a deliberate attempt to be rude to him.

Riess: I see.

Simpson: I think Mr. Hoover was rude sometimes, but I don't think it was a calculated rudeness. I think it was preoccupation and being much more interested in his own matters.

Hoover could have done one thing which would have given former members of the CRB an immense amount of pleasure. When he was President, if he had taken two hours off and invited all the former members of the organization to a reception in the White House at five o'clock in the afternoon, stayed with them for an hour and a half himself, and then left them to Lewis Strauss and some of those people close to him, I don't know how many people--100 or 200-- would have been very, very happy and it would have cost him two hours of his time. He didn't do it. And I never was inside the White House.

Riess: Did he staff his administration with many people from those days?

Simpson: No, he didn't. The one who was closest to him from our group was Lewis Strauss, who was indeed a very fine fellow and, I'm sure, helpful to Mr. Hoover.

Riess: Strauss came into CRB as you did?



Simpson: No. He was Hoover's secretary in Washington during the war. He never was really a member of the CRB, but he was made an honorary member.

Riess: Did the CRB have reunions?

Simpson: Yes. We had a dinner every five years in New York.

Riess: And when Hoover was President and it was the reunion time--

Simpson: Oh, we had the dinner. I don't think he ever came. I don't recall his having been at one.

Riess: I see. Those dinners must have been great fun.

I wonder if the original choice of people had in fact been a selection of people who eventually were great or successful.

Simpson: I think the original choice was rather hit-or-miss, and I think some were successful and some weren't, to varying degrees.

#### Hoover and Mother

Simpson: You asked me earlier of personal reminiscences regarding Mr. Hoover.

My mother lived to quite an old age and one time I was taking her by train to New York to spend the winter with my wife and myself in that city. She had a compartment or drawing room on the train and it happened that Mr. Hoover was on the same train in another car.

I went back to call on him, we talked, and I told him I was bringing my mother East. He said he would like to come and call on her, and he did, and they had a nice chat.

As I told you, my mother at the age of two crossed the Plains in a covered wagon with my grandparents from Kentucky to California. And although she herself had no recollection of the trip, but had heard of it from her father and mother, she often reminisced about that. And one of the things that she mentioned was that her parents told her they had taken her out of the wagon to put her feet in the North Platte River and thereby go through the motions of wading in the river.

Simpson: Well, the train had just crossed the North Platte River on a bridge and, reminded of that incident, she told Mr. Hoover all about it. Mr. Hoover said, "Well, Mrs. Simpson, I am very familiar with the Overland Trail and I believe that the place where you put your little feet in the water was just about two miles from where we crossed the North Platte a moment ago."

That incident I think is a very touching one and shows Mr. Hoover at his best.

### The Hospitality of the Belgians

Simpson: I should say something about the hospitality of the Belgians. During that period they could not have automobiles and there was no telephone service--quite a few things like that--but otherwise people lived quite a normal life in Belgium.

Riess: And their attitude towards the CRB?

Simpson: Oh, it was wonderful. The Americans were tin gods. You'd think we were making a great sacrifice, and yet we enjoyed it all.

We were wonderfully entertained in Belgium, and I may have mentioned the Antwerp family, the Bunges, and that picture that I showed you was one of the then girls [a cousin, Alice Karcher]. They thought we were marvelous, a curious lot, and they evidently liked us pretty well because some of them married Americans.

They were very wealthy people, and the idea that I, for instance, obviously a college graduate, that I had done menial tasks--of course, they didn't believe it to begin with, that I was a farm hand and pitched hay for a dollar a day, and so on. And then I told them about selling the Saturday Evening Post. I had my Saturday route to dispose of 150 copies of the Post--bought at 3¢, sold at 5¢--to make some pocket money.

And one of these girls would say to another, "Do you know the latest from Pinkske? He now claims that he was a newsboy." "Oh," the other one would say, "don't believe a word he says. You can't believe anything he says."

Riess: Do you think they really thought it was just too absurd to believe?

Simpson: Yes.

Riess: Interesting. I should think that that would have been part of the reputation of America, just that kind of almost rough-edged young entrepreneur.

Simpson: Yes, but I guess they thought we weren't particularly rough-edged. And also their picture of a newsboy was some waif standing on the Bowery in New York in a driving snow storm peddling papers.

## IV THE YEARS FROM 1919 TO 1921

The Private Grain Enterprise

Riess: After the war you began a business in Europe with Clare Torrey.

Simpson: Well, in the first place, we were very much wedded to Europe and we didn't really want to come home. And also we thought that we might be able to do business and develop something. We didn't have any money, but we talked with Prentiss Gray [who had been a few years ahead of us at the University] and made a deal with him that we would undertake to develop a grain business. (His company was a company dealing in grain.)

We thought that though we didn't know anything about the business, we did know about Europe, and we felt that the situation was such that somebody would supply the money. We were right in that calculation. So, we made our deal with Gray that he would stake us, pay us a salary, and commissions on any business we'd develop, and that worked.

Riess: And you made contracts and contacts with the Austrian and Polish governments?

Simpson: That's right.

Riess: There was a third partner in the Balkans? Who was that?

Simpson: His name was Dorsey Stephens, an old college friend of ours. We brought him in as a third partner.

But unfortunately very shortly thereafter the trouble started. The postwar depression in 1919 and 1920, while it seemed very little in comparison with the Great Depression ten years later, was pretty bad then. The Guaranty Trust Company, which was one of the largest banks in the country, was in serious trouble and had to be rescued.

Riess: The Guaranty Trust was directly involved in some way in your business?

Simpson: No, no. It was a great business slump, almost a panic, that caused the Gray Company to lose its money. The company had made pretty good money and they lost it all and liquidated honorably and gracefully. But Gray was right back where he started and so were we.

Riess: You got word of it when you were in Europe?

Simpson: Oh, yes. We certainly did!

Riess: Clare Torrey had gone home?

Simpson: The plan was that he'd go home to see his family, his mother, in 1920, and when he'd come back, I'd go. And I did. I guess it was also in '20. But by the time I got back the trouble had started and pretty soon we just had to wind up the whole thing. Gray naturally wasn't going to pay us our meal ticket for nothing. [Chuckles]

### Illness

Riess: And was your illness simultaneous with the rest of the chaos?

Simpson: That was after my trip home. My trip home was in 1920, and my illness occurred shortly after I returned to Vienna. I guess it was in 1921 that I went to Davos [Switzerland].

Riess: That was an important time for you? Were you able to re-think your life or something like that?

Simpson: Yes. I read the Bible from cover to cover and Rabelais, the entire works of Rabelais in old French. I was there, I think, nine months. But I didn't have tuberculosis at all.

Riess: You had the "Balkan bug," you said in Random Notes.

Simpson: Yes.

Riess: And so it wasn't responding at all, then, to this treatment?

Simpson: Yes, it did respond because I led a very healthy life and I guess the cold weather was good for me. I had lost about twenty-five pounds and I gained my weight back. I thought I was an arrested case of tuberculosis.

Riess: When was the problem diagnosed?

Simpson: Here. First in Paris. The Swiss told me I should be checked up frequently, so I went to one of the leading specialists in Paris. He was furious. He got up and paced the floor. He said, "Half the doctors in Switzerland and Germany ought to be put in jail. You haven't got any more tuberculosis than I have, and that means none."

I didn't know whether to laugh or to cry. I went on to New York. And at that time James Alexander Miller (I still remember his name) was the outstanding name in New York. He examined me and he said, "I don't think you did have tuberculosis; anyway, you haven't got it now. But you did have something. You say you're going to San Francisco. Try to have them find out what is the matter with you."

So I did and they diagnosed amoebic dysentery and put me in the hospital for three weeks. And that was that.

Riess: In Davos, were you reading the Bible because you felt you were near death?

Simpson: Oh, no. To improve my mind. I didn't think I was near death at all.

Riess: But it must not have made much sense to you, to be there.

Simpson: It made sense to me because I thought I had tuberculosis.

I had kept a little money out of the debacle of the business and I brought my mother over for a visit. She said that she was sure I didn't have tuberculosis.

I said, "Well, Mother, what do you know about it? These are eminent doctors and--." But she said, "I don't believe it."

Riess: I noticed that in Random Notes you wrote, "...Life had been too hectic for me to continue the writing I had begun in France." You were wondering whether you wanted to "act in or interpret the world scene." Were you really keeping a journal?

Simpson: No. I wrote about a dozen little stories when I was in France, after I'd left Belgium. Lippincott was going to publish them but the war ended and nobody wanted to read any war stories. Later on, much later (I mean here), I picked out four that I thought the best and had Lawton Kennedy do them in a little book.\*

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\*A Holiday in Wartime and Other Stories, Episodes of Occupied Belgium and France, 1915-1917, by John L. Simpson, Lawton Kennedy, 1956.

Simpson: I would have liked very much to be a writer.\* That's what I really wanted. And if I'd had some money I think I would have. But I had serious responsibilities. My mother was a widow and my wonderful sister Toto had an illness, and I felt I just had to bring in some income.

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\*John L. Simpson has published the following books of his writings:

Random Notes, Recollections of my Early Life, or Europe Without a Guidebook, 1915-1922, Lawton Kennedy, 1969.

A Holiday in Wartime and Other Stories, Episodes of Occupied Belgium and France, 1915-1917, Lawton Kennedy, 1956.

Dialogues Today, After Lucian, James Printing Co., 1972.

Kaleidoscope "...a small tube in which patterns of color are optically produced and viewed for amusement...a constantly changing set of colors...a series of changing phases or events." James Printing Co., 1970.

## V FOOD RESEARCH INSTITUTE

[Interview 4: May 19, 1978]

Alsberg, Taylor, and Davis

Riess: Now, you said that you had left Europe, come back to the United States, and you described that [as] not in a blaze of glory because you were in some doubt about your health and just exactly what you were going to do.

Simpson: That's right. But Alonzo Taylor had been one of Mr. Hoover's economic assistants or associates and he was one of the original directors of the Food Research Institute.

I think I must tell you what the Food Research Institute was.

Riess: Yes, good.

Simpson: During the war, the problem of food had been one of the great problems, and it involved the study of food production and distribution throughout the world. Fortunately, the resources of this country and other food-producing countries were sufficient to keep the Allies working and fighting to the ultimate victory.

Well, after the war Mr. Hoover felt that it was unfortunate that this highly developed technique, you might call it, of assembling statistical and other information regarding food, should be lost. And he arranged for the establishment of the so-called Food Research Institute at Stanford.

The Carnegie Foundation financed the Food Research Institute originally and the direction of it was a remarkable thing. They did something that I would suppose had very little chance of succeeding. They put three eminent men in charge, no one having seniority over the other two, and, believe it or not, it worked marvelously.



Riess: That is remarkable.

Simpson: Yes, it is, isn't it. The reason was that these men were such big men, really big men, that they could get along together without anyone being super-boss. And the three men were Carl Alsberg, Alonzo Taylor, and Joseph S. Davis.

Riess: Was the selection of these men made by Hoover?

Simpson: I do not know.

Riess: Taylor had worked for Hoover, hadn't he?

Simpson: Yes.

Riess: I'd like to know more about those three men.

Simpson: Alsberg was a descendent of those marvelous people who came from Europe at the time of the revolution of 1848 and carried on that very fine German-Jewish and American tradition. [Joseph S. Davis edited a book about Carl Alsberg published by Stanford Press in 1948.]

As a scientist he deliberately undertook to broaden his scope over both the natural and social sciences rather than concentrating on one particular limited field. He was generous. He was helpful. He was fine in every way.

Now, Taylor was quite a different type. Alsberg was moderate and cautious to a degree. Taylor was--well, I wouldn't say boisterous, but he was very outgoing and very witty and enjoyed wit very much.

Once in the postwar days when the American Relief Administration was operating, we both happened to be in Trieste. There was some meeting there and it came Friday afternoon and Taylor said, "John, have you ever been in Venice?" I said, "No, I haven't."

"Well, let's go over to Venice for the weekend." So, we rushed down to the station and bought a few things to eat on the train, some bread and cheese and wine and a can of sardines.

We happened to be in a compartment with two very nice ladies, either English or American, the kind of ladies who had lived in Florence a long time. One of them, to her misfortune, made some remark about Central Europe. Of course, we'd been living in Central Europe day and night for, I suppose, weeks if not months by that time, and Taylor knew every iota of information that was available. And what this lady had said was unfortunately a very foolish remark.

Simpson: Taylor--I always said he wiped a few shreds of sardines off his moustache--but in any event he said, 'Madam, I am very sorry to say that you are entirely mistaken in that view.' And the poor woman looked startled. He was a black-haired, black-eyebrowed, rather terrifying fellow anyway, in a sense. He thereupon undertook to bring her up to date on conditions in Central Europe, and if she didn't know anything about it when she left Trieste, she was thoroughly informed by the time we got to Venice!

Well, that was typical of Taylor. He was so frank and so companionable and so witty and ironical, a wonderful man.

Riess: About train protocol, when you're in a compartment with strangers, is the standard behavior to pretend not to overhear conversations?

Simpson: It depends on the circumstances and it depends on the individual. I wouldn't have said a word to the woman, no matter how foolishly she talked about Central Europe, because I'm rather retiring in that respect. (Grete thought that I was too retiring.) But I think it just depends on the circumstances and the individual. If you're sitting next to somebody who seems companionable, and he has a paper, he's been reading something, and he calls your attention to the headline--I have done it both ways. I've gone through a trip and not talked to anybody and I have talked.

The third man, Joe Davis, was a Harvard economist and extremely reserved, meticulous in his writing. His writings were not as interesting as they might have been, because in order to be absolutely accurate, he printed all the possible exceptions, and it would be hard to find an inaccurate statement in one of his works. That doesn't make them such light reading.

Incidentally, he just managed to finish his book before he died a short time ago and I was sent a copy with his dedication in it, that his heirs had arranged, which I was very happy and proud to have.

Riess: Yes. What is the name of the book?

Simpson: [Points to book on shelf.]

Riess: Here on the top. [Picking up book and reading title.] The World Between the Wars, 1919-1939, 1975. [Reading dedication written in book.] "To John and Grete Simpson, Warm friends for half a century, With gratitude and affection, Joe."

Simpson: Davis also wrote a little brochure recounting what he considered a considerable number of major political blunders that Hoover had made in the course of his career, I think fifteen, like failing to

Simpson: veto the Smoot-Hawley Tariff in 1930, which I think is now generally regarded as a great mistake on his part as it contributed to the Depression worldwide. He had it printed and it was in circulation and he gave me a copy.

I said, "Joe, this is very good and probably true, but you know you're not going to be very popular with the 'old guard' if they read this," the "old guard" being tried and true Hooverites, no matter what.

And Joe said, "Well, my university was Harvard and the motto of Harvard is, 'Veritas,' and I've tried to live by that all my life."

Riess: When did Davis write it?

Simpson: He wrote it after the Second War. That doesn't date it very accurately, does it? The Second War just seems to me like yesterday. The "old war" was '14-'18, and then this "parvenu war."

Riess: When were you with the Food Research Institute?

Simpson: I guess it was '22-'23.

Riess: It sounds like an excellent balance of people. Taylor and Davis were rather extreme in a way, as you describe them. Alsberg might have run the whole thing on his own, but neither of the others.

Simpson: Yes, that's right. But he didn't run it. They all ran it. They really did. You wouldn't believe it, but three outstanding men without any impression of priority did run the Institute and ran it well.

Riess: What was your work there?

Simpson: I didn't really do very much. I laid the groundwork for playing a role if I'd stayed on, and Davis rather encouraged me to go for an academic career in economics. I did not want to do that for two reasons: one, I wasn't crazy about an academic career; and secondly, I thought it would entail getting a Ph.D. in economics and I was getting along too far in age.

Methods of Compiling Agricultural Statistics

Simpson: Now, I did do something very interesting before I ever saw the Food Research Institute. Before I left Europe, they wrote me that they were very interested in the way agricultural statistics were compiled.

Riess: You mean the Food Research Institute wrote to you?

Simpson: Yes. Taylor, I suppose.

In saying the wheat crop in France in such a year was so many tons, well, how does one know? And they asked me to visit-- I loved this, of course--a half a dozen countries: Italy, Switzerland, France, Germany, England, and maybe one of the Scandinavian countries. Five or six. And to investigate the method that they use in each case to determine what their production was, also to determine their forecasts.

Well, that was intensely interesting.

Riess: How did you do so?

Simpson: I visited the countries and located the place--it was usually the Ministry of Agriculture or maybe some other ministry--where the statistics were assembled and compiled and prepared for publication. I talked with the people, read everything they would give me to read, and formed my opinion as to how accurate, how reliable, the job was. And you will be astonished to know that the least reliable was Italy and the most reliable was England. [Sarcastically]

Riess: I will be astonished? No, I won't be.

Simpson: No, and I wasn't either.

Riess: But it's interesting because the Italians probably didn't think it was important.

Simpson: Oh, yes, they did. They thought it was important, that it was important to show a very low output and that they needed a lot of help.

Riess: [Laughter] I see. So, you sent a critical report back then?

Simpson: Yes, and then made an oral report to the Institute when I arrived in Stanford. It was really very interesting and I think rather useful.

Riess: Was it of interest to the people that you spoke to in these countries to realize that their methods were being studied? Did they wonder why?

Simpson: I don't think so, because I talked to the technical fellows. I didn't indicate that this had any political aspect at all.

Riess: Oh, I see. That's wise. So, you didn't go to the "Ambassador of Food" first of all?

Simpson: Oh, no. I didn't want anything to do with him. I wanted to talk to the chief clerk in the statistical bureau. I was very interested in the German, I still remember. He was so typical of a good well-trained German bureaucrat.

But, you see, they couldn't go out and count the haystacks or warehouses, so the method used mostly was to estimate as well as they could from the past the number of hectares or acres, and then estimate what kind of a crop year it was, and multiply the two. You can see the opportunities for enormous variations.

Riess: Yes. And how did the Germans do it?

Simpson: The Germans amassed more figures than anybody else, but they didn't mean anything more.

Well, I brought my report back and they said they liked it, that it was what they wanted, and they thought I got as much as I could. Nobody had any illusions that it was really going to be very accurate. And I think that's about my story, as far as the Food Research Institute was concerned.

Riess: Did they gather data as to the accuracy of statistics from all over the world? Were they able to do the same thing in Asia?

Simpson: No, I don't think they tried.

Riess: Was it an internationally-oriented group?

Simpson: Well, I think these men were very well-grounded men in world affairs, certainly. They were especially interested in production and trade. In other words, what counts is not just what is produced, but what is exported and what is imported, and the trade is based on the grain-producing countries like the United States, Canada, Australia, Argentina, and so on. And they were interested in the commercial world of food production and distribution.

- Simpson: China didn't figure much in that respect, Burma and China and the rice countries. But now that I say that, I realize that while they started concentrating on wheat, as time progressed they branched out and covered other commodities.
- Riess: From the Davis book on Alsberg I gathered that after the wheat studies the next studies were in fats and oils.
- Simpson: Yes.
- Riess: But you are saying that because it was an economic institution, and because it really came out of needs that were understood from World War I, that it always had an eye to food as power.
- Simpson: That's right.
- Riess: And who was most interested in that?
- Simpson: I think that the knowledge of what was available and what would be available or could be available had a strategic aspect and I think the Institute had that in mind.
- Riess: Were they advisory to various governments?
- Simpson: No, I don't think so. They published publications, brochures.
- Riess: Interesting. Food is a very basic way of looking at the world.
- Simpson: Yes. I attended, in France, a conference, a very highbrow affair--a friend of mine who was a writer got me invited--at a place called Pontigny. And I met a girl who was highbrow of the highbrows and she asked me what I'd been doing and I told her. She said, "Un peu aride, n'est ce pas?" [Translating remark] "A little dry, isn't it?" [Chuckles]
- Riess: But, of course, it really isn't.
- Simpson: I said, "No. What people have to eat and whether they get it or not, well, that's not dry at all." But I didn't make any great progress with that girl. "Just another American."
- Riess: When you were at the Food Research Institute and working with these men, did they relate a lot with the people who were working there, or were they away in offices.
- Simpson: Oh, they related completely. They were wonderful men.
- Riess: And very available to the staff?

Simpson: Yes. It was a small organization then, all on one floor, and you walked around from one office to another. You didn't necessarily make an appointment.

Riess: Did Hoover have any particular connection with the Carnegie Foundation?

Simpson: Not that I know of.

Riess: He just convinced them that this was an important piece of work.

Simpson: Worthy of a donation.

Riess: Yes. I believe it was in Alfred Kroeber's introduction to the [Davis-edited] Alsberg book that he described the three men in very much the way you have.

Simpson: Did he?

Riess: Alsberg had the wisdom and the broad knowledge and the grasp of ideas, and Taylor represented energy and contacts and wild enthusiasm, and Davis's strong points were workmanship and practicality and good judgment.

Simpson: What I said is not so very different, is it?

## VI CALIFORNIA RAISIN GROWERS ASSOCIATION

Simpson: By that time my health was pretty well assured but my finances were far from assured. And my sister Lola Jean, who had been earlier on the financial mainstay of the family, and later, when I assumed the financial responsibility, the moral mainstay of my mother, went into a deep depression and not only did her earning power vanish, but she became an expense. So, I felt that I really had to make some money and I came to the conclusion-- well, no, my first idea was to be an economic and international affairs consultant.

Riess: Were there such things?

Simpson: Yes, a few.

Ralph Merritt had become head of the California Raisin Growers Association, which was in a bad way, and I think Taylor was instrumental in suggesting to him that I might do an investigation in the foreign field as to the competition and marketing possibilities, I having told Taylor that I needed to make some money and wanted to go into business.

Several people that I knew had made these consulting arrangements, which sounded very good. I mean, to some people, to me, it sounded good. So, to make a long story short, I was hired by Sun Maid, by Ralph Merritt, to investigate the competitive production in Turkey and Spain.

To Turkey, Spain and London

Riess: The competition was for the European market?

Simpson: It was for the European market. And they asked me first to go to the spots and look at the production, and then secondly to make another investigation of the marketing possibilities and



Simpson: possibilities of expansion and ways and means of meeting the competition. So, I did that and was so employed for two years approximately; maybe not all of two years, but approximately.

Riess: Did you stay abroad to do the job, or did you come back in that period?

Simpson: No. I'm trying to think. I know what the end of it was. The exact years are not so important. It was that period. I made three trips to Europe. The first trip I went to Turkey and Spain, Malaga.

Riess: Oh, of course. Yes, indeed. Great grapes.

Simpson: Sultana in Turkey, in Anatolia, the area near Smyrna. And Malaga in Malaga.

Riess: Both of these grapes are now grown in this country. Were they being grown here at that time?

Simpson: Yes. Thompson Seedless is the same thing as the so-called Sultana. But there's no question that the quality of the Turkish Sultana was then--I don't know what's happened in later times--but was then a really better raisin. It looked better and it tasted better.

The fascinating thing to me was discovering their method of drying the grapes. We do that by pitching them on trays and putting them out in the sun. These Turkish peasants were very, very poor and did not have any trays, but they needed a smooth clean surface free of dust on which they could lay their bunches of grapes. So, they ingeniously took cow dung and mixed it with water into a thick paste and found a nice smooth piece of ground and swept it very, very clean, as well as they could, and then painted it over with this cow dung paste; painted very thinly, and in this intense broiling sun, the thing dried and, believe it or not, it did look like a very thin mat on the ground and achieved their purpose of producing a dustless area to dry the grapes and make raisins.

Riess: They've been doing that since time immemorial?

Simpson: Yes.

Riess: Isn't that interesting.

Simpson: And they were convinced that it would do no harm whatsoever, that this very thin coating of liquid cow dung had dried in the broiling sun, and all unhealthy aspects had been burned away.

Riess: Yes, right. Probably not very many people knew about that method other than you!

Simpson: I don't think they did either. Taylor didn't take any stock at all in the idea that there was a thorough sterilization.

I made my report, of course, to Merritt and the association, and I never heard anything further on it.

Of course, this was over a half century ago, and drying methods may have entirely changed in the meantime.

I made my first trip to Anatolia and Spain, and the second trip to investigate the European markets, which were principally North Europe, Germany and England. And then a third trip to make some rearrangements in the operations of their sales effort in those European countries.

Riess: Had Sun Maid had any European market until then?

Simpson: Oh, yes. They were set up. They had an office but they didn't think it was as well-organized as it might be and they thought that I might have some ideas which would be helpful. I hope they were.

Riess: Was it one central office, or was there an office in each country?

Simpson: Well, they had the office in London, and they had a head man and a second man in London and one or the other of them made trips around on the continent.

Riess: Were they using advertising techniques then to sell people on raisins?

Simpson: Yes. They had J. Walter Thompson. And you'd see on the buses: "Sun Maid Raisins."

#### Problems of Grower Cooperatives

Simpson: Thinking back on the Sun Maid Association, it had a basic problem that occurs often in situations of that kind. If the Association could hold together and maintain some control over prices, it was to the interest of each individual to ignore the Association and act for himself. That's a great human problem, isn't it, in many, many fields.

Simpson: As long as a cooperative works, it's to the interest of each individual to leave the cooperative and go out on his own. And if enough do that, then the cooperative fails, and that, I think, was the basic problem with the Sun Maid. It's a curious thing. In general, nothing succeeds like success, but in this case nothing fails like success. You see what I mean?

Riess: At the point when Merritt took over, he took over something that was failing, I gather, in 1922. The price had dropped tremendously. It had gone from something like \$276 per whatever the unit was down to \$75, and Ralph Merritt came in and organized the Sun Maid Raisin venture and began a national campaign to eat raisin bread and so on. Now, was this a time when people were departing from the co-op, or was he then trying to reorganize the co-op?

Simpson: Well, there were independent raisin dealers, growers and dealers, I guess, and they were taking advantage of the Sun Maid to undersell them. And if there had been no Sun Maid, then their competition, the competition of these independents amongst themselves, would have driven the price down. Sun Maid, if it could have been 100 percent would have been able to control the price. Even not 100 percent it had and could have a considerable influence.

But the problem always was that as soon as Sun Maid had improved conditions somewhat, the mavericks would go out for themselves and tend to undermine the combined efforts of the association.

Riess: And so what sort of persuasive powers did the association have on its side then?

Simpson: Well, the powers of reasoning, trying to explain to people: "If you do this, don't you see, you're cutting your own throat?" But the individual thought, "If all my fellows keep the price up, I'll sell 10 percent under it."

What Ralph Merritt tried to do was to preach the gospel and make every effort to keep them together. It was a perfect example of "united we stand, divided we fall," a perfect example. That really is about all I know about it. I wasn't in on the details of the financing.

Riess: Was Merritt a good man for the job, do you think?

Simpson: Well, I think he was. He was considered a very able man and at one time was thought of for the presidency of the University. I don't think he was as good a man as he and we thought he was, but I think he did a pretty good job with Sun Maid. I don't know what happened. I left, you see, and went to New York. I do not know what caused his downfall.

## VII GRETE MANDEL SIMPSON

In Search of a German Teacher

Riess: At this point in our chronological progression through your life, I think I'd like to be introduced to your wife. Where did you meet Grete?

Simpson: I met her in Vienna and I'll tell you exactly how I met her. I wanted to learn some German and I put an advertisement in the paper: "American wishes to learn German," or something to that effect. I don't know just how I worded it, but it brought about thirty replies.

Of course Vienna was in a bad state at that time. The inflation had wrought havoc. (And after I finish what I've started I'll tell you something about Grete's family and the inflation.)

So, I had these thirty replies and I looked them over and more or less hit or miss chose one and it was Grete Mandel, and I ascertained that she had taught French in a very highbrow private school run, and owned, I believe, by Frau Doctor Schwarzwald, a very able and distinguished lady.

But Grete was not doing that at that time. She'd left to help her brother, Fritz, who was a publisher of, and dealer in, prints and etchings. She had given up her teaching job for that.

Some years later, when he [Fritz] and I were great friends, he told me it was a good thing she left him because otherwise he would have gone broke. Just about the time it looked as though he was going to get rid of some dog he had on his hands, Grete would sidle over to the prospective customer and say, "I wouldn't take that. It isn't really very good." [Laughter]

Riess: Yes, that's not what you want in your sales personnel.

Simpson: But that would be Grete. Grete never would give a present unless it was something she liked herself.

In any case, that's how I met Grete.

Riess: Did she speak English?

Simpson: Pretty well. Very English English. She didn't speak English nearly as well as she spoke French, but pretty well.

Riess: And was she a strict teacher?

Simpson: Well, she was a good teacher, although I never made as much headway with German as I did in French.

My French was quite good at that time. I'd had a grounding in French from my sister, Toto, who had me come from grammar school to her French class at the high school. She (Toto) was so anxious and did so much for me in every way, and she gave me that head start. By the time I'd spent a year and a half in Belgium and a year and a half in France, my French was pretty good, if I do say so. I couldn't pass for a Frenchman, but I was good. My German never amounted to much because I didn't have a good grounding in it.

Riess: Where did Grete teach you? Where did you meet to have your classes?

Simpson: Five of us Americans had an apartment, a very nice eight or ten-room apartment that the Austrian owner was very glad to have us occupy because then no wandering troops could get into it.

Riess: And so she came to you there with the books and so on?

Simpson: That's right.

Riess: Then how did the romance progress?

Simpson: Well, everything was interrupted by my illness. That was the time of trouble: financial trouble, the question of my health, my sister's major depression, the dependence of my mother dominating the situation.

I went back to America and, as I said in Random Notes, on a later trip to Europe found Grete again and we got married.\*

Riess: You were going to say something about her family.

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\*John Simpson and Margarete Mandel, married April 19, 1924.

Simpson: Oh, yes. The Austrian inflation--and, of course, the German, but I knew the Austrian, I'd lived in that--Grete's father, who was a businessman, had a dread of being impoverished in his old age, and so he took out an endowment policy and paid on it all his life. I've forgotten what the amount was, but it was a substantial amount for Austria, several hundred thousand dollars, so that he would be sure of something in his old age. And when it matured and he got it, it was worth about a dollar and a half!

Riess: Oh, what a nightmare! And these were the times that you were over there.

Simpson: Yes. In Germany that was one of the factors in the rise of Hitler; the impoverishment of the middle class was unquestionably one of the causes of the Hitler tragedy.

Riess: He offered solutions?

Simpson: Yes. He not only offered solutions; he provided solutions. He instituted mass programs of public work, as you know, and put people to work. He bankrupted the nation financially, but he put people to work.

#### Grete's Academic Career, Especially Work with Children

Riess: I remember when we first met you told me that Grete was part of a coffeehouse group headed by Alfred Adler.

Simpson: Yes, that's right.

Riess: Did Adler teach at the university in Vienna?

Simpson: No. I think he was even less likely to be invited than Freud.

Riess: He was Jewish?

Simpson: Yes. I think they had no organization, but they all gathered in a kaffeehaus, which is a typical Viennese custom, as you know, and discussed matters. This occurred during the war and they naturally discussed the war, but it was a psychological group.

Adler made a trip to America in, I guess, 1929, right at the heyday of the boom. We entertained him several times. But he was a sort of celebrity for a while and hard to get.

Riess: Was he lecturing in New York?

Simpson: I don't know whether he was lecturing or just holding seminars and having private sessions with people. But Grete saw something of him and I saw a little something of him. Then the crash came and people got less interested in Adler and were more interested in saving their skins. Adler's moment of glory didn't last very long. I think he died in England [1937].

The timetable here is a little confused because the next thing about Grete and psychology and so on is when we were in New York, and we haven't quite gotten there yet, really.

When we moved to New York, Grete thought she would like to do something. She played the piano, not very well, but she had music in her soul and fingertips and could have been a good pianist. But she was also very interested in psychology, and especially psychology of children. We talked a great deal about it--what should she do?--and she finally decided on psychology, on the theory that it was more human and brought her more in touch with life and people. And then, she loved children. It was a great blow to her that we didn't have children, much more so to her than to me.

I said, "Well, you've had Adler. That's fine. But Adler is one among many. If you are going in for psychology, you'd better go to Columbia and take a degree and know all the psychologists." And that's what she did.

Unfortunately she could not do it at Columbia proper, except in the evening, and that was no good. So, she had to do it at Teacher's College. And I suppose you know that Teacher's College is not as highly regarded as Columbia proper.

Riess: But it didn't affect her career.

Simpson: Well, it did in the sense that she ought to have been working with, on the whole, a--well, I don't know what to say.

Riess: A more dynamic group?

Simpson: Yes. Of course, she in a way had a wonderful experience after that as a consultant. She had some kind of magical gift with children. She dearly loved them and found it hard to believe there was a born bad child. Any child that was supposed to be bad, she'd tame. It really was amazing. Her capacity to take a completely impossible child and straighten him out was really incredible.

Riess: Was she using psychological theories of a given name?

Simpson: She introduced the play interview to Columbia, when she consulted there, the play interview being for children that were too small to reason with. The trick was to get down on the floor and play with them and find out what was biting them.

She never taught classes, but she had sort of seminars at Columbia. They'd have a one-way vision screen with the students in back of it, and she'd be down on the floor doing the play interview with the child.

May I tell you one incident of her dealing with a naughty boy?

Riess: Yes.

Simpson: He was a boy old enough, about five or six or something, not a tiny babe, and he was using foul language. He was punished and bribed and nothing could be done about it. His parents couldn't do anything and they brought him to Columbia and they couldn't do anything there. He was sent to Grete; there was a period when she'd given up responsibility, but they sent special cases to her, to our home.

So, she said to this boy, "You know, I wasn't born in this country. I don't know English as well as you do and there are a lot of words that I don't know. You use some words that I'm just not familiar with. I would like to make a dictionary. Couldn't you and I make a dictionary so I would know the exact meaning of everything?"

I don't know whether he gave in reluctantly or not, but anyway she got his consent to make a dictionary of all the foul words in the English language. [Chuckles] And pretty soon he came and she said, "How is our dictionary getting along?" "Oh," he said, "that's all kids' stuff!"

Riess: Oh, that's very good!

The children that she treated, then, were all psychologically damaged and they had been brought by their parents to Columbia?

Simpson: Yes.

Riess: And she just did her work with the children rather than involving the parents?

Simpson: Oh, she involved the parents. She involved the parents to the extent of trying to get the parents to act in a way so that the child could be helped.



Simpson: Sometimes I would hear something about these cases and I remember one time I said, "What's the matter with that kid anyway?" "Oh," she said, "there's nothing much the matter with the child. His parents are driving him crazy."

They had a lot [of cases] from the Bronx, Jewish from the Bronx, and they were so ambitious. If the first child had an I.Q. of 145 and the next one was 125, they were desperately upset because the 125 couldn't keep up with the 145 in their classes. And part of the trouble was the parents overpressuring the second child. I know oftentimes she felt the trouble was mostly with the parents rather than with the child.

Riess: Did your wife's study of psychology give her insights into people and circumstances in your life that were helpful to you?

Simpson: Well, she was always very good at sizing people up. She was usually pretty right in her estimates of people after one or two contacts. I think she was very shrewd in her judgments of people. But she was so good with small children! She'd be able to handle a child that everybody else had given up. And, of course, she said the first thing was love.

Once when a young mother was asking for her advice she said, "I've been watching you with the children and it just happens that you're a born mother. So, don't buy a book at all. Just go right ahead. You are a born mother and you are very lucky."

#### And Her Role as Hostess

Simpson: But psychology was only part of Grete's role. In a way she lived a double life. She was working for her degree in psychology and also, as I progressed and became a little more advanced in rank and position, we did a great deal of entertaining, especially of people from Europe and South America, and Grete was a perfectly beautiful hostess. She managed to come home from Columbia, where I'm sure she had had a busy day, and put on the nicest dinner party you could imagine, everything perfect.

She proved to be a wonderful cook, for one thing. She had never done anything of that sort at home in Vienna, but she became a splendid cook.

Riess: She hadn't been taught at her mother's elbow?





John and Grete in the Adirondaks



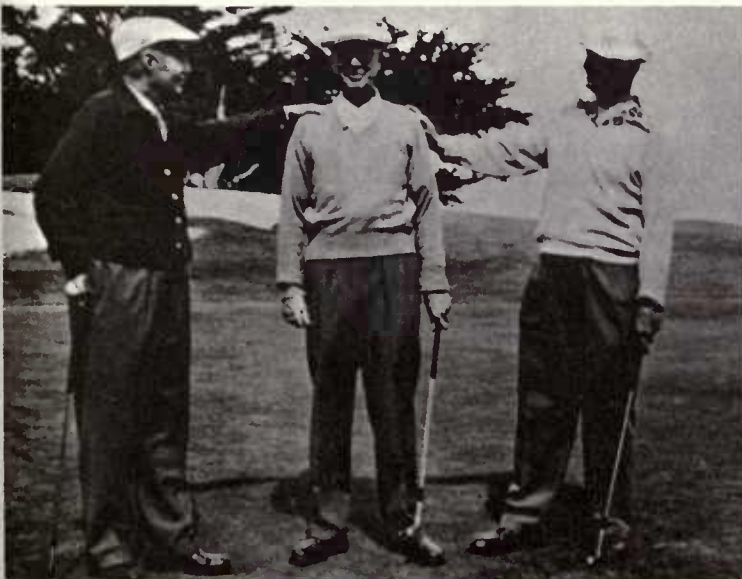
A summer in California, 1935



John Simpson and Allan Sproul look on as Grete Simpson christens a Liberty Ship. Marinship Sausalito, World War II.



John and Grete returning from a vacation. Bechtel company plane



Steve Bechtel, Sr., left, and Basil Jackson, chairman of British Petroleum, congratulate John Simpson on a "hole in one," 1950s.



Simpson: No, they had help. And my mother was a good American-style cook and Grete picked up from her and picked up from European cookbooks and headwaiters on transatlantic liners and so on. So, she produced beautiful dinners. The table always looked lovely with the glass and silver and the food was marvelous.

Riess: Did you have someone to serve?

Simpson: Yes, we had two in help. We had a cook and a maid.

Riess: And she would do some of the cooking and the cook would do the rest?

Simpson: Oh, she didn't really do the cooking for these parties. She gave the directions and maybe she'd practice when we were alone together or had just one couple. I didn't mean to say that she did the cooking for a big dinner party. She couldn't do that. But she put them on with a flourish.

I remember that Foster Dulles said--he was at a New Year's party, and we didn't give such awfully big ones, but as big as the dining room table would take, with maybe an extra card table, maybe thirty people--Foster Dulles said it was the only New Year's party he'd been to where he could sit down to a regular dinner or supper.

And with the awful grief of losing Grete, one of the things I remember is the wonderful role she played in taking a doctor's degree in psychology and, at the same time, running the household as she did.

Of course, there were quite a few radical people at Columbia and they sort of held her in contempt in a way as the "capitalist's wife," but she would go through that and come home and put on a dinner and then go back and be palsy-walsy with the radicals.

But I was disappointed--when we went to New York, I said, "Now, look. I'll go down to Wall Street and try to make us some money if I can. You go out to Columbia and you be the intellectual and higher level of our life." But after about six months or a year, I said, "As far as I can make out, there's more in-knifing in Columbia than there is in Wall Street."

A Friendship with Josef Krips

Riess: Does your friendship with Josef Krips date from Vienna?

Simpson: Well, that dates from Grete. We were staying at the Imperial in Vienna during the music festival season and Krips was in the same hotel. Krips's first wife had died many, many years ago, a couple of decades, and he had married again, and that wife was very difficult. I don't know whether she was with him at that time or not. In any event, that's not important.

The important thing was that we went to a concert that he conducted and it was beautiful. I've forgotten what it was. And Grete said, "I'm going to write a letter to Mr. Krips and tell him we're from San Francisco and how much we enjoyed the concert."

"Well," I said, "they can't shoot you for that." He probably got plenty of letters. But she did send the letter down to be put in his box. In about twenty minutes we got a telephone call saying that he'd received this beautiful note, and would we come down and have a drink? Grete had gone to bed to rest, but I went down and had a drink, and that was the beginning of our friendship with him.

We found such a congenial companionship and he seemed to like us, especially Grete. Of course, when we came back to San Francisco we saw a great deal of him here.

Riess: At that time this was his home city?

Simpson: Yes. But it all started with Grete writing that note, which was so typical of her.

Riess: Were there other friendships in music and the arts that were particularly close?

Simpson: No, I don't think so in music and art. She maintained a pretty close friendship with the Adlers who came over later.

That was the only time that I ever had any close contact with anyone in the top rank of music. And I have to laugh at myself. I thought it would be nice to have Mr. Krips to supper, but I thought, "After a marvelous production of Don Giovanni they'll be all agog and they'll be foregathering for a celebrating supper. It would be presumptuous for us to try to interfere with that." But finally I thought, "Well, maybe it might not be quite that way. We'll take a chance."

Simpson: Of course I found out the one thing they wanted to do was to get the hell out of that Opera House and get home to their husbands and wives and children and mistresses and friends and what have you. And the last thing in the world they had in mind was having a gala supper for themselves! [Laughter]

Riess: What a disappointment!

Simpson: And so we very often met Krips in the--there was music in the restaurant of the Imperial until 11:00, Viennese waltzes and so on, and neither Krips nor we wanted to hear that just after finishing Don Giovanni, but in the kaffeehaus there wasn't any evening music, so we very often foregathered afterward in the kaffeehaus for a little supper, which he enjoyed very much.

And it was very interesting. Krips and Grete both knew English, of course, very well. And we would start talking English, but at a certain point, especially if they got into something intimate, they would drop into German. They could do that without any embarrassment as far as I was concerned, because I knew enough German to understand what they were talking about and participate the small part that I needed to. But it was significant that, well as they knew English, when it came to something really intimate it was a little more comfortable for them to drop into German.

Riess: [Looking at Mr. Simpson's outline] You have a note here of: "Lifelong friendships: Fastlich." What is that reference?

Simpson: Well, it's perhaps interesting as a human story. It has nothing to do with any of the rest of it. It was in Vienna. There was the Hoover organization, the ARA, American Relief Administration. I was sort of running the office and I had to hire some doormen, three doormen, who'd be messengers and so on. I had an Austrian adviser and he rounded up some fellows and I hired a couple.

Then there was a third one and I interviewed him. My Austrian counselor said when this fellow went out, "I wouldn't hire him." I said, "Why not?" He said, "He's fresh."

"Well," I said, "he may be kind of fresh, but he stands up and looks you in the eye and I think I'm going to hire him," and I did. That was [Adelbert] Fastlich.

I hired him as doorman and found that he was a fellow who could do anything. He was absolutely indomitable.

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\*See Random Notes, pp. 54, 69-71.

## VIII EARLY YEARS WITH SCHROBANCO

Looking for a Job

Simpson: At the end of my third trip to Europe for Sun Maid I found there was no further use for me there. Ralph Merritt had wanted the so-called expertise which I was supposed to furnish, and that had been done, and he never had had in mind a permanent position. Well, all right.

At that point I decided, "Now I've got to find a real job."

I first looked around here in San Francisco. And it's very interesting. I had done well in college. I had made a lot of friends. I had done well with the Hoover organization. I hadn't made a failure at anything. And yet nothing opened up for me here.

Riess: You were looking for banking jobs?

Simpson: Yes.

I sat down to review the entire situation and I came to a very wise conclusion: what I had to offer was Europe. I really did know a lot about Europe. San Francisco and California were not interested in Europe, but New York was, and therefore I would go to New York. And I did.

Riess: But not with a promise of a job.

Simpson: No. Alsberg gave me four or five letters. I went to New York with letters and my personal contacts, and within a week I had offers of four jobs, a job with a New York investment company, one to go to Switzerland representing another investment firm, a job in Boston, and the Schroder job.



Riess: You were right in your perception of what you could offer.

Simpson: That's right. My wares were not of interest here, but they were in New York. We were then on the threshold of the great re-financing of Europe after the war and of course out here there was then no Bank of America; it was still the Bank of Italy, I guess.

Riess: Did you try to sell any of the western banking institutions on the idea that they might be more internationally oriented?

Simpson: I talked to one or two, but I made no headway at all.

Riess: When you were looking for a position out here, would you have considered working for the Bank of America or Bank of Italy?

Simpson: Yes, but I didn't have any entrée. I had an entrée to talk to, and did talk to, others. There was the Mercantile Bank of something-or-other, which was quite prominent then, but it later merged.

Riess: It sounds like an agonizing time.

Simpson: Quite a tough time. By that time I was married. My sister had recovered, but I had my mother and my wife.

So I just reasoned it out as I'd reason any problem and I came to the conclusion: "This is the wrong place. These people don't know what it's all about as far as the postwar period is concerned. There's going to be a great wave of financing to Europe and some people are going to do it and most Americans don't know much of anything about Europe. I do know something about Europe. I don't know anything about banking, but I know something about Europe, and I'll go where people are interested in what I've got to offer."

And, as I say, it proved to be pretty good reasoning because within a week I had four offers.

Riess: It sounds like you kept the standards for what you wanted to do high. I mean, you could have probably come in at some level in some institutions around here.

Simpson: I don't know. Nobody offered me anything.

Riess: The "old boy" network didn't work here? When we first met, you said that there was an "old boy" network in New York that tended to favor easterners.

Simpson: Did I say that?

Riess: Well, you said that it took a while to break in if one were not from Harvard or some such.

Simpson: Yes, that's right. The Ivy League. The graduates of the Ivy League universities. It's perfectly natural.

Riess: Oh, yes, indeed.

Simpson: And to some extent--[pauses to think] I was going to say that to some extent it's true here. But the point was that I didn't have--if a fellow wants to buy a motorcycle, it's awful hard to sell him a--

Riess: Speedboat.

Simpson: A speedboat, yes. [Laughter] That was my trouble. I was selling the wrong bill of goods for the market.

[Interview 5: May 24, 1978]

Schroder, New York and London

Riess: You decided to go to New York and look for work and you very quickly were offered a position and that was with Schroder, I take it. I notice that "P.N. Gray" is the first name that you have under your Schroder notes here.

Simpson: Yes. He was the first president of J. Henry Schroder Banking Corporation.

Riess: I see. So, by contacting Schroder you were looking up someone you already knew.

Simpson: That's right. I did indeed know him. In fact, it was through me--on a streetcar in Berkeley--that he learned of the Commission for Relief in Belgium and got the idea of joining it himself. And it was also his firm in New York which backed my partner and me in our postwar business venture in Central Europe.

So I thought it over, had lunch with Gray and accepted his offer, which was a very modest one. You remember I said in Random Notes that I didn't start at the top of the ladder after all, but they had to add an extra bottom rung to get me on the ladder?

Riess: Yes. I wondered what that actually meant.

Simpson: I should tell you a bit about Schroder. The London firm was formed in 1804 by Germans, come over from Hamburg, and they always were a very fine and distinguished member of the banking community in London and did what was called "merchant banking," which really meant, to a large extent, financing goods and trade.

It's very interesting. They started endorsing the bills of other merchants, and then the successful ones, and those who had a reputation of integrity and ability, sold their own bills in the market and became bankers instead of traders.

Baron Schroder, head of the bank at the time of the First War, had retained his German citizenship. (They didn't think anything of it, you know, any more than if we, as Americans, went over and set up a business in France, we might stay there indefinitely but remain Americans.)

But at the outbreak of World War I, the German assets in England were put under sequestration, and that would have meant that the firm J. Henry Schroder & Co would have been taken over by the authorities. The English didn't want to let that happen, so by special act of Parliament they made Baron Bruno Schroder a British subject.

Riess: Why didn't the English want that to happen?

Simpson: Well, it was too important to banking in the city of London.

Riess: They had an important place?

Simpson: Oh, yes. They were in the class of Rothschild, Lazard, Baring, and so on.

Riess: J. Henry and Baron Schroder are two different persons?

Simpson: The original German who came to London was J. Henry Schroder, and that was the name of the firm and remained so. The head, when I joined in New York, was Baron Bruno Schroder, and he was followed by Helmut Schroder, who is not a baron, incidentally.

Riess: They then stayed in London through the war.

Simpson: And naturally were very inactive during the war. But after the war there was a great flourish of activity and they decided, very wisely, that the United States, to which they had not paid much attention previously, was a coming, if not the coming, place, and how could they get a foothold there? So, they set up a not very large bank in New York named J. Henry Schroder Banking Corporation, and they were supposed to participate in

Simpson: the development of a bill market in New York similar to the one in London, because in London these bankers' bill were a favorite form of current investment, just as treasury bills are here.

They had originally had in mind that the business would be mainly creating and dealing in bankers' bills. But by force of circumstance and because the investment business became so important, they got into that business as well. At that time commercial banks were permitted to do investment business. (That was changed by the New Deal legislation and is now no longer possible.)

Riess: Were they a commercial bank also?

Simpson: Yes, but you might say it was a wholesale business, not a retail. You or I would not have walked off the street and set up a personal checking account of \$1500. Their banking business was closely aligned with their interest in international trade, financing the movement of coffee to England and that sort of thing.

Riess: I take it that foreign bankers are not looked upon as foreign, then, in the way that Mr. Giannini, for instance, was "foreign" in San Francisco.

Simpson: Of course, they [Schroder] weren't German; they were English. And I think that the banking community wouldn't be so snobbish to an English[man] as they would be to an Italian.

Riess: And toward people with German accents?

Simpson: After the First War, you know, we had a great change of attitude towards Germans, and within a very short time they became fully accepted. And, in fact, we even had a guilty feeling that because we'd ruined the country we must rehabilitate it.

If you want a trivial wisecrack--when my friend and I formed our business in Europe, which I related to you, we wanted to come home briefly to see our families, and he came ahead of me. He wrote me, "I must give you some advice regarding your own return to America. Don't let on at all who you are, but claim that you are a German who changed his name to Simpson during the war."

Riess: That's very telling, isn't it. And you'd be welcomed with open arms.

Simpson: It's exaggerated, of course.

Simpson Accepts

Simpson: Well, I accepted the Schroder offer.

Riess: Since P.N. Gray was your contact, why did you have to start on the bottom rung?

Simpson: P.N. Gray was my contact and my friend and certainly, of course, in the end, one of the best friends I ever had. But in the first place they wanted to start modestly and they already had some personnel. And in the second place, the Schroder group in London, meaning the family, were very skeptical about any American knowing anything about banking. That's why they had chosen Gray to be president, because he was not in banking, but had been in business. They made him president and sent over a clerk from the London firm to be the banking brains. Unfortunately, he had no brains. I'm not alone in that view. He ran his course and was fired.

Riess: And how much of a staff was there?

Simpson: Oh, I don't suppose more than fifty or sixty people in the organization then. I didn't even have a title as "officer" when I started, and then I was made "assistant secretary."

Riess: When you had your interview, what future did they hold out to you?

Simpson: The bank was just starting. It had a wonderful background in banking, highly respected. Europe was going to require financing. We were in an expanding period. And I knew Europe well and Prent Gray knew me well.

"But, John," he said, "I have to go easy with these Schroder people, and I have a great problem any time I take on another member of the staff. I must sell him, John, every time, and I'm going to have to do that with you. I think there's a vice-presidency in it, but certainly not right away. And if you like it on those terms, I would like to have you."

So I said to Grete, "Well, something is better than nothing. This pay isn't as much as I made in the past, but something is better than nothing. This is a splendid institution. I'm in Wall Street, in very good auspices, and if I don't get along, I ought to be able to make enough contacts to get something else."

Riess: [Reading from notes] "Schrobanco's early days: Gray, Beal." Who is Beal?

Simpson: Jerry [Gerald] Beal, a Harvard graduate, four years younger than I, and a very fine fellow and a very able fellow. He had been taken on about a year before. He was always the second ranking officer. I fairly quickly became the third ranking. He was always one of my best friends. We got along fine.

As I mentioned, the company wasn't a bank, it was a banking corporation. A clever lawyer had picked out a marvelous provision in the New York banking code which permitted a banking corporation to have greater latitude and more possibility of doing certain transactions than a bank, so it was a banking corporation. But it really was, for all intents and purposes, a bank with special powers and privileges.

Well, the bill market didn't develop as fast as they expected, but what did develop was the investment business, because not only was there very active investment in this country, but Europe, especially Central Europe, was an applicant for loans and credits to assist in economic rehabilitation. Gray found quickly that this type of investment business was a tremendously important field.

#### International Railways of Central America

Simpson: I could describe a few of the kinds of transactions that we were involved in. There was, for instance, a kind of a promoter-buccaneer named Minor C. Keith and he had been one of the founders of the United Fruit Company and the International Railways of Central America.

Now, Keith was quite a fellow in his day and really very constructive, but he was old and semi-senile and he'd lost control of the United Fruit Company, other people had that. He had the railways but he'd allowed it to get into very insolvent conditions. His finances were in very bad condition, consisting of short-term liabilities and assets largely of a liquid character. These were his personal finances.

Kuhn Loeb and Schrobanco consolidated Keith's liabilities into five-year notes--I think there were \$6,000,000--and arranged with his creditors to accept these notes in lieu of their claims. We did this consolidation of his debts, and the five-year note, with the idea that we would liquidate enough assets within the five years to get him out of debt with a handsome amount of money.

But, unfortunately, he was a stubborn old man. He said, "You don't have any legal power to liquidate," and he wouldn't let us liquidate. The crash came, and the bottom fell out of

Simpson: the market, especially his assets. We finally liquidated the fund and the notes, and the creditors got out just about even. Not a penny left for Keith's estate, and his widow lived on charity the rest of her life. It was a great lesson to me to see how a man of wealth could ruin himself by unwillingness to cash in.

Well, this led to a continuing banking relationship with International Railways of Central America because Blyth, which was an investment firm, became good friends of ours; Blyth and Schrobanco did public financing for the Railways and continued a relationship for many years.

Riess: Was that one your baby particularly? Did you have to travel to Central America on that one?

Simpson: I went several times, pretty soon became a director, and ended up by being chairman.

Riess: Of International Railways.

Simpson: Yes.

Riess: So, that's how bankers become directors.

Simpson: That's one way. Well, we had the responsibility to our clients to whom we'd sold the securities, and therefore we were entitled to a position to oversee the management. In fact, I had the job of firing the president and finding a new one. That was somewhat later.

#### English Banking Style

Simpson: An incident connected with International Railways gave me a wonderful experience in dealing with the English, but it's kind of off the subject.

Riess: I'd like to hear it.

Simpson: During the Depression, the railway had several million dollars of bonds, which were maturing, and didn't have any money. And at that time we couldn't do public financing because of the Depression. Some of these bonds were held in England by the investment companies of London, the famous English investment trusts.

Simpson: The United Fruit Company, which was the largest supplier of traffic to the railway, was willing to put up a certain amount of money and also proposed to develop a large banana plantation on the Pacific Coast if the English interest would extend these maturing bonds. And if the United Fruit Company went ahead with this expansion of the banana business, it would mean the railway hauling the bananas from the Pacific Coast to the Atlantic, over the hump, 5,000 feet--this, of course, would mean an important additional source of revenue.

So, I was designated to go over to London and negotiate with these British holders, and I did. The principal one was a firm called Robert Fleming & Co., a good friend of Schroder, and I went to call on them under the best auspices.

And it was so English. The room was like a rather simple sitting room, a nice fire in the grate, and three of these Fleming partners came in to talk with me.

I told them the story and said that if they and the other British holders (because there were others) would extend the bonds, prolong their maturity, the United Fruit Company would go ahead with this large development on the Pacific Coast which would supply a lot of new traffic for the company.

We discussed it. They said, "Would the United Fruit Company give a firm legal guarantee that they would do this if we agree?" I said, "No, they won't do that because there might be a revolution, or there might be a hurricane," what used to be called among financial people an "act of God." (Now they'd rather say force majeure.)

They said, "Mr. Simpson, do you think that they would proceed with their project if we were to extend these bonds?" I said to myself, "Here you are, Simpson. Put up or shut up."

And I said, "Yes, I think they would. That's my opinion."

They said, "Would you excuse us for a few moments?" and they stepped into an adjoining room and were gone about three minutes and came back and said, "Mr. Simpson, we will extend the bonds." I thanked them very much. I had it made then because I knew the other English companies would do what Fleming did.

So, about a year and a half later I was down in Guatemala staying with the president of the company. We were out walking in the garden after dinner. All of a sudden I heard the most terrific whistle. I said, "For God's sake, Charlie! What's that?"



Simpson: He said, "That's one of the banana trains coming up from the Pacific."

And the thought that crossed my mind immediately: Well, I guess I can show my face in London after all.

But it was so nice dealing with those English. They sized me up and decided the chance was that I knew what I was talking about.

Riess: It's interesting because you really provided a link between the world of the English and a Central American Republic. Was Central America a hotbed, then, of revolution and so on?

Simpson: No, it was rather tranquil during my experience with it. Five or ten years ago they had an incipient revolution that the CIA is supposed to have engineered; the CIA is supposed to have performed one of its covert operations and got rid of an ultra-radical president. But at the time that I was active, things were very tranquil and we had no trouble with the government.

#### Prent Gray in Action

Simpson: Another of our contacts was with the German steel industry, and this, I think, is very important because this leads to the great doings later on. The London house had been on friendly terms with the German steel industry for a long time.

Dillon Read was one of our principal competitors and we had a very hot tussle with them over a particular piece of financing because, you know, the ordinary thing is people want to borrow money, but the New York banks at that time were competing with one another to sell their services and provide money. Why? Well, there's a commission in it. You made money by doing good; that's an ideal thing.

Gray took me with him for an evening meeting with Dillon Read. You may wonder why in the evening? Because the prospectus was being completed that night and would be published in the papers the next morning, and the market was favorable, and it was desirable not to waste a day in getting it to the market. So, we were going to work all night if necessary.

We met in Dillon Read's office to settle some important details and put the final touches on the prospectus. Dillon Read were represented by one of their attorneys, Ferdinand Eberstadt, who subsequently ceased to be a lawyer and became a partner in Dillon Read.

Simpson: And parenthetically, I came to know Eberstadt very well later on and found him to be one of the toughest human beings I ever had contact with. We were together on a board. He opened every meeting by making a motion that the president resign. [Chuckles] I would say, 'Now, Ferd, for goodness' sake, let's not go through this again.' And he'd say, 'Oh, Abraham Lincoln, the Great Reconciler!'

Riess: [Laughter] How funny!

Simpson: Oh, there are a lot of funny things in business.

Prent Gray could also be tough on occasion and he and Eberstadt had some famous rows over the German steel business. Once when Prent was on a safari in Africa I happened to be sitting next to Eberstadt at a stag dinner. 'Where is Gray?' he asked, "and what's he doing?"

I replied, 'He's in Africa and I suppose he's shooting lions.'

"Oh! No, he isn't," said Eberstadt, 'he's choking them to death with his bare hands.' When I told Prent this on his return he was delighted.

#### Introducing the Dulleses

Simpson: Anyway, we were battling out these last details. Ferd Eberstadt knew much more about the whole thing than we did, really. We were at a disadvantage. And Prent Gray said, "You know, at the Paris Peace Conference I met a lawyer named Dulles and I think he's a very smart fellow. And there's just a chance that he might be working late on something. Let's go over to his office and see if we can catch him in." We did and he was in his office and we told him what our situation was and got his advice and worked the thing out reasonably well from our standpoint.

That was our first contact with the Dulleses and from then on we became closer and closer. They became general counsel for the banking corporation and Allen came into the picture. And that's the way it happened.

Riess: John Foster Dulles was in 1924 a senior partner with Sullivan & Cromwell, but he was a young man, relatively, wasn't he?

Simpson: Yes.

Riess: You said that Ferdinand Eberstadt was one of the toughest customers you'd ever dealt with. What was your first impression of Dulles as a customer to deal with?

Simpson: Well, that's a very good question. He was a strange paradox. We were an organization of relatively young people. Gray was one of the youngest bank presidents in New York, he was only seven years older than I. And when we would get into a fracas and be pretty mad and ready to take an extreme position on something, Foster would come down--we were in the same building, they were on an upper floor--he would come down in a very quiet way and say, "Well, what's all the shooting about, boys?" and quiet us down.

He was a great moderator. I was astonished, when he was Secretary of State, when he made his cracks about massive retaliation, agonizing reappraisal, the brink.

You know, this "brinkmanship" is perfectly ridiculous. A change of two or three words in that statement and you'd have never heard of brinkmanship. He needn't have said we went to the brink. He could have said, "They were so arbitrary they almost pushed us toward the brink," and you never would have heard the word "brinkmanship" in your life.

I was astonished at these what seemed to me to be slips from this person who had been so helpful to us in keeping us from doing and saying that kind of thing.

Well, we worked out matters that evening in a reasonably satisfactory way. The deal was done. And so more American financing of Germany occurred, which would provide plenty to think about later.

Riess: You've introduced John Foster Dulles. What about Allen?

Simpson: Well, Allen did his law at George Washington University. And one crack that was made in this book on Foster is that Douglas, I think it was, or somebody who is very prominent now, graduated with honors from either Yale or Harvard law school and was turned down by Foster for a job because he didn't consider him adequately prepared.\* But Allen, who was not well known at all, was given a job right away with Sullivan & Cromwell.

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\*Dulles, by Leonard Mosley, The Dial Press/ James Wade, 1978, p. 76.

Simpson: Allen was never the lawyer that Foster was as a lawyer, or Eustace Seligman, or Green. But he was an extremely able fellow; as a lawyer he had a lot of common sense and balance. Foster was our senior lawyer and Allen was also our lawyer. And in matters where you had to take a chance, where you were about 90 percent certain that this was all right but there was a 10 percent possibility you might find some trouble, Allen would be for taking the chance and he never was badly wrong that I can remember.

Riess: Foster wouldn't be for it?

Simpson: Foster perhaps would want to play at 100 percent safe.

Riess: Of course, the lawyer takes no risk; I mean, the relationship was always advisory.

Simpson: But he takes a risk of losing his prestige and reputation if he's wrong too often.

Riess: Would that be generally known on the street, so to speak, or just in the bank?

Simpson: Well, it would depend on the circumstances, whether it was a big public matter or just private.

Riess: Were Sullivan & Cromwell particularly an international law firm?

Simpson: They didn't start by being an international law firm, but they did develop a great expertise, let's say, in international law. When the time came that that was a very important branch of the practice of law, they took a leading role in it.

Riess: My little Who's Who sheet confirms Allen Dulles got an LL.B. from George Washington University. John Foster Dulles did his law at George Washington University too. Both of them went to the same school.

Simpson: Well, it's not a bad law school.

Riess: But it's not Yale.

Simpson: No. I'd forgotten about Foster.

With the third member of the Dulles trio, Eleanor, I have not had much contact, but I greatly admire her. She served knowledgeably in charge of the Berlin desk but was obliged to relinquish a State Department position when Foster became Secretary of State. She is now active in a large and effective organization (Youth for Understanding) for the international exchange of students, and I am still in touch with her.

## IX PERILS OF THE BANKING WORLD

[Interview 6: June 1, 1978]

The Lowenstein Business

Riess: Who was Lowenstein? [Referring to notes]

Simpson: It's a long story. Lowenstein was a Belgian, very wealthy, and a client of Schroder, London, and we thereby came in contact with him. He was a very theatrical man. He traveled around with a galaxy of secretaries and a boxing trainer. Oftentimes if you wanted to have a talk with him you had to go up into the gymnasium and catch him between rounds. [Chuckles]

He believed in electric power and artificial silk, and he formed two companies in Canada.

Riess: Artificial silk is nylon?

Simpson: Celanese.

He was a great fighter and he had terrific quarrels with other financial concerns, individuals and concerns. His companies were publicly owned, aside from his own ownership; I mean, he formed the companies and obviously kept a considerable interest in them, and then there was public financing.

He ended by either falling or jumping out of an airplane over the English Channel. There was always a great argument about whether he jumped or fell accidentally.

Riess: This was after the crash?

Simpson: No, it was before the crash. He was reputed to be worth about \$100,000,000 before he jumped or fell, and about \$50,000,000 afterward. The companies still exist now under another name

Simpson: and they are worth about \$100,000,000, in which the family has a substantial interest. So, he wasn't by any means a big failure.

One reason why it's interesting to talk about Lowenstein is that people compare him sometimes with Ivar Kreuger who was an out-and-out crook. He forged bonds and borrowed money on securities which did not exist and was a thorough rascal, but a very clever one. He committed suicide in the end.

Lowenstein was theatrical and did prance around and quarrel. But to link his name with Kreuger is completely unfair to Lowenstein.

Well, the stock in Lowenstein's companies went down after his death because people suspected that there was something very bad, but there wasn't at all. I was on the boards of his companies for quite a while during the war when the British and the Belgians, who were his chief owners, were out of touch, of course, for war reasons. So, I knew really a great deal about the affairs of the companies and their previous history, and nobody had done anything crooked at all. But all these boxing masters--he made people think that he was a wild man.

After his death, we (Schrobanco) were charged to settle up his affairs, his accounts and indebtedness in the United States. Bill after bill came in from this that and the other thing, and we paid them all. We thought it was all over, and then finally a bill for I think \$1,600 came and the officer who was handling it said, "Must have been a shuttle trip." You know, the shuttle between Times Square and Grand Central Station. [Laughter]

Riess: And who was Lee Higginson? [Referring to notes]

Simpson: Lee Higginson was a very prominent and very fine investment firm in New York and they had the Kreuger financing and, among other things, International Match. (Indeed we were rather provoked and disappointed because, having had a position in some of this German business, we had invited them into one or two things, and they did not invite us into International Match and their other dealings with Kreuger. And that was supposed to be the crème de la crème as far as financing was concerned.)

But, in the end it transpired, as I said, that Kreuger was a complete fraud, and he persuaded Lee Higginson to do something which no banker should agree to and it's astonishing that they did. (It just shows the extent to which a clever crook can pull the wool over your eyes!) He wouldn't let them have an independent audit of his affairs! Now, one thing you always do is to have on your prospectus: Audited by some firm like Price-Waterhouse or Haskins & Sells. Kreuger said that would be a reflection on his dignity.

Simpson: In retrospect, it's almost incredible that Lee Higginson would have fallen for that, but we were living in a wild period and people were doing all sorts of things that they had no business to do. So, Lee Higginson did not insist, did omit the independent audit, and there were some other Italian bonds involved, many millions, and they didn't exist at all.

Kreuger did commit suicide, as I said, and Higginson went bust. There is a more modest Lee Higginson today. It's very interesting. Baring, one of the finest London houses, went bust in the early '90s and it was called the Baring Crisis. You'd think that the name would be finished forever, but they managed to rehabilitate themselves. And Lee Higginson at that time went broke, bankrupt, and now again, the firm exists.

#### German Acceptance Financing

Riess: When you said that people were doing "all sorts of things in those days that they shouldn't be doing," are there any other interesting examples? Did you, or you with Schrobanco, get yourself into any positions that you barely got back from the brink of?

Simpson: Not of that particular kind, but in another way we did indeed get ourselves into a lot of trouble. I was going to tell you about that a little later, but perhaps I might as well do it now.

Schroder's, London, had always had a great many German clients. So, when Schrobanco was formed in 1923, they naturally put their new New York organization in touch with their German clients and we did a lot of German acceptance financing, that is to say financing German industries and banks by putting our name on bankers' bills which were then bought by other banks in the money market. That was the so-called bill business and we did that to a very considerable extent.

Riess: To too great an extent?

Simpson: Yes, as it proved.

Riess: What was the profit in that?

Simpson: We charged a fee for putting our name on the bill.

Riess: And did they have a certain life, or duration?

Simpson: They were usually of short duration because they were for the financing of the movement of goods in trade, and the arrival of the goods at their destination and sale would liquidate the bill. So, a typical one was the 90-days.

Riess: When did it get to be too great an extent?

Simpson: It got to be too great an extent when the Depression came.

In the spring of 1931 the Creditanstalt in Vienna failed. I should tell about that.

A banker who was a director of one of the principal banks in Vienna, the Wiener Bank Verein, was offered a directorship in the other large bank, one of a slightly, but only slightly, higher rank, the Creditanstalt, and very foolishly he accepted it. I knew him well. I liked him very much. He was a first-rate man.

In 1931 I was in Europe when he came to New York to announce his change of position and to make the rounds of the banks, the usual thing, dinners and lunches, handshaking, and all that. He got on the ship to go home, and while he was in mid-ocean the news came that the Creditanstalt had failed. His explanation was that they had shown him a false balance; they had falsified their balance sheet.

I mention that because certainly that was the beginning; the stock market crash here was in '29, but that was the beginning of the collapse of Central Europe which then fed the Depression here. (I don't know whether a "crash" "feeds" something; you must straighten out my curious metaphors.) But those were the key dates, '29, the stock market crash, '31, the failure of the Creditanstalt which precipitated the ruin of Central Europe, and that contributed to the terrible depression worldwide.

The repercussions were so great that both the Austrian and German debtors, debtors not only to Schroder and Schrobanco but to banks generally, were unable to meet their obligations, and it resulted in a moratorium which meant simply non-payment of their obligations as they fell due. (The British dreamed up the name of "Standstill," which sounded more respectable than "moratorium.")



A Pyramid Collapses: Crash

Simpson: Another piece of public financing or a flotation of securities in which we participated was in connection with the formation of a company called Electric Shareholdings, which was a creature of a man named Harrison Williams. Harrison Williams was a sort of tycoon who had played a great role in pyramiding holding companies. The way you pyramided a holding company was to own a small equity in it, issue securities to a large amount, and then with the funds derived from those securities, form another company with a small amount of initial capital, issue some more securities, and so on, et ainsi de suite, as you'd say in French.

The result was that you had a huge structure of companies with a very small base, like a pyramid turned upside down, and we were arranging to float one of these companies, owned partly by Harrison Williams and partly by European interests.

Riess: It sounds like a risky venture.

Simpson: Oh, well, nothing was risky then because we were in the new era, boundless prosperity; nothing we could ever do would go down, only up and up. Well, with other bankers we formed a group and I was delighted because I was in charge and it was the first piece of financing that we were going to head; our name would be first.

But Harrison Williams was a very hard trader and instead of our receiving our remuneration in the form of a large fee, we took it in options on the stock, which were worth quite a large sum; we were going to make several millions of dollars out of it.

Of course, what happened was that the crash came and the prices of all these stocks went down and our options were worth nothing. So, aside from a very modest cash remuneration, we got nothing out of it at all.

Riess: Oh, dear! But it didn't pull Schrobanco down? It wasn't a big enough operation to do that?

Simpson: No. And, as a matter of fact, we didn't lose anything at all because this was in the spring of 1929 and there was one last fillip of the market before the October days and we got rid of all those securities in that period. So, we didn't lose, but we made practically nothing.

Riess: And did it damage your reputation?

Simpson: No. Oh, other people did so much worse things! [Chuckles]

Riess: And yet I'm impressed that you were a man with lots of foresight. Where was your foresight before the Depression?

Simpson: O-o-o-h! Where was our foresight? Where was the foresight of all the bigwigs of the United States?

Riess: No, I mean just yours.

Simpson: Well, I was a modest newcomer to the whole thing. I couldn't believe that Charlie Mitchell, head of the National City Bank, didn't know what it was all about. Even Paul Warburg, the very wise Jewish banker, sounded only a mild note of caution. On the whole, Mitchell, head of the National City Bank, Wigham, of the Chase--these great names had no apprehension. Even Mr. Hoover, who was President, didn't sound any note of warning.

How we could have been in that state of mind is incredible because we did have examples: the tulip craze in Holland in the 18th century, the Mississippi Bubble, the South Sea Bubble. They had happened a long time ago, it was true, but they had happened when people had come to the belief that there could be no end to a rising prosperity and rising prices.

Riess: Was there anything that Harrison Williams was doing that was at all illegal?

Simpson: No, not illegal. It might be illegal now because of the subsequent legislation, but it wasn't then.

Riess: And that was the point of Schrobanco's having lawyers, that you would investigate everything that you invested in?

Simpson: Oh, yes, and we had an audit all right. We didn't make the mistake that Lee Higginson made. No, there was nothing illegal and nothing that at that time was considered unethical.

Riess: Kreuger convinces Lee Higginson that the audit would slander his name, and Harrison Williams convinces you that you'd be better off taking stock options rather than in money; it seems like there are certain parallels there; in other words, these are real con artists, both of them.

Simpson: Well, Kreuger certainly was. I wouldn't call Harrison Williams a con artist. He was very shrewd. He thought instead of paying us in cash, he would pay in options. No, I think Harrison Williams was very shrewd. He was cold as a fish. I used to have to go over and talk to him. But he was never even charged with having done anything dishonorable.

Simpson: There were people running stock pools and, to some extent, rigging the market. But they themselves were taken in. I coined a saying which I rather liked, that the trouble with Wall Street was there were too many sheep in wolves' clothing.  
[Chuckles]

Riess: But the market crashed.

Simpson: The great market crash, about which enough has been written, I think.

Riess: Where were you and what were you doing that day?

Simpson: Looking at the report on the ticker for the extent to which the market went down, and being astonished and upset. Of course, we didn't realize at that time that there was going to be a Depression. The market crash was one thing; the Depression, of course, came later and extended over years.

The great impact of the market crash was extended over a few days and weeks. Also, there was a very substantial recovery in the stock market in the early part of 1930. It came back about halfway from what it had lost.

#### Roosevelt's New Deal

Simpson: So, the Depression worsened and Roosevelt took office in 1933. (I should reverse the order of that.) Roosevelt took office and the Depression worsened.

Riess: How did the first hundred days of Roosevelt affect Wall Street?

Simpson: Well, Wall Street was being hit from all angles. Wall Street was being hit by the economic financial situation and also by the New Deal, because Roosevelt, having criticized Mr. Hoover, for one thing, because he had not balanced the budget, pitched in and unbalanced the budget as much as he could.

Here is a story. Roosevelt had a--I don't know that you'd call him an economic adviser, but a political adviser, Judge [Samuel I.] Rosenman, was it? And by the time the 1936 election came along, Roosevelt and [Henry] Morgenthau, his Secretary of the Treasury, had got the New Deal underway with full force and, of course, it was running budget deficits heavily.

Simpson: Well, in the 1936 campaign he was scheduled to make a speech in New Orleans. And it appeared that in 1932 he had made a speech in New Orleans in which he had castigated Mr. Hoover for unbalancing the budget. So he asked Judge Rosenman, "What am I going to say in New Orleans about the budget?" [Chuckles] Judge Rosenman said, "Deny that you were ever in New Orleans."

Riess: [Laughter] My sense of history is that Roosevelt saved the day. Yours is not?

Simpson: Well, that's a complicated matter. The popular view was that Roosevelt saved the day. He saved the day in the sense that poor Mr. Hoover, who had been at most only partly responsible for the Depression, had become completely discredited, and when they pitched tents and made shacks to live in they called it Hoovertown, and so on. Roosevelt was a marvelous orator, had a great political knack, coined a phrase like "nothing to fear but fear," and in that sense he did a great thing.

The legislation of the New Deal--I suppose I'm like most people from Wall Street, prejudiced. But while undoubtedly there had been many bad practices, and reforms were needed, I thought that the manner and, to some extent, the substance of the reforms were very unfortunate, because I always thought the awful antagonism which was bred really retarded our recovery from the Depression.

As a matter of fact, statistically, of the industrial countries, we were the slowest to come out of the Depression and never did come out of it till the war came. So, while I can see the psychological service that Roosevelt gave the country, I think that he really was pretty bad in his economics.

There was a most terrible bitterness between Washington and New York at that time. A lot of people in New York had behaved badly and legislation was passed hastily to try to prevent that kind of behavior in the future. A great deal of that legislation was declared unconstitutional by the Supreme Court, you know.

Riess: By the "people who had behaved badly in New York," you're referring to what?

Simpson: Some people had acted fraudulently. There's no doubt there was fraud. There had been a lot of bad things. There was an element of vindictiveness on the part of the New Dealers. And, in general, the bankers in New York opposed Roosevelt and the New Deal.

Washington Contacts

Simpson: Schroder was much smaller, of course, than the large banks, but we said, "Well, this thing [New Deal] is here and we can't do a thing about it, but hadn't we just as well learn all we can about what's going on in Washington and make any contacts which might prove useful to us and not just sit here in New York twisting our thumbs?"

And we said, "Somebody ought to make a point of going down to Washington frequently, every month or two, to get acquainted with these people in Washington and to meet the new people and try to foresee what was likely to happen and take any advantage of it that we could."

I happened to be the one who had, on account of my war experience, met quite a lot of the permanent government people who didn't lose their jobs, so I was the one to go.

Riess: Who were those people?

Simpson: Oh, they were middle-rank bureaucrats. In the Commerce Department, the head of the Finance Section. And the Federal Reserve Bank had a fellow, I've forgotten his name.

I'd go down, and some of them I knew well enough to invite to lunch. On others I called. I knew Dean Acheson and Henry Grady and others.

Riess: Those sound like good contacts.

Simpson: They were good contacts, and I got the feeling. And when you come to know people, talk with them, and exchange ideas, you are less passionate.

So, I went down to Washington every month or two and spent two or three days. I had some friends in the State Department. I had one very good friend who was assistant secretary of state and was later chairman of the Tariff Commission, Henry F. Grady.

Riess: And, in a way then you became a lobbyist from Wall Street.

Simpson: No, not in the least. I didn't do any lobbying or try to influence anything. I just tried to find out what it was all about and how we could best take care of ourselves, especially from a financial standpoint.

Riess: And that was information that you brought back just to Schrobanco, or did you represent a group of investment bankers in New York?

Simpson: No, it was just to Schrobanco. I didn't represent any group.

Riess: Yes. I wondered if you found out things that really were so extremely helpful that you were able to get the jump on other New York outfits.

Simpson: I don't know about getting the jump, but I did follow the money aspect very carefully and that tied into our dealings in government bonds. I suppose the most specific thing I got out of it was talking of government bonds and interest rates and money matters.

Riess: When you say "we decided," how did Schroder make their decisions?

Simpson: We were such a small group that we could be talking together all the time.

Riess: What position did you hold in the company at that time?

Simpson: Well, in 1935 Prentiss Gray, who was president, was killed in a guide-boat accident off the Florida Everglades, and certainly it was the saddest event which occurred during my time with Schroder. Gray was my boss and friend.

Jerry Beal then succeeded him as president, and I became executive vice-president. (I also became chairman of International Railways of South America.)

#### The Gold Standard: John Laylin

Riess: And was this country going off the gold standard a matter of discussion at that time?

Simpson: That, I think, is a very interesting thing and it ties into our adjusting ourselves to the New Deal.

England had gone off gold in September 1931. They didn't call it "going off gold"--gold was re-valued in terms of Sterling. Sterling was it and gold was a side issue.

I must be a little technical here. The United States bonds in general contained a provision called the Gold Clause. And the Gold Clause can be paraphrased something like this: "These bonds will be paid in gold coin of the present value of weight and fineness." Now, that had been traditional since I don't know when. And that meant, on the face of it, that if the United States

Simpson: Government owed you some money on its bills or notes, it was obliged to pay in gold coin of the present value of weight and fineness.

Riess: That includes standard dollar denominations?

Simpson: Oh, yes. And, much more than that, practically all corporations that issued bonds included the same clause, so that practically everything of a substantial nature, government and corporate, was payable in gold. Well, England did not have such clauses in their obligations. They went off gold, and that was that.

Our London partners wrote and said, "If the United States goes off the gold standard, what will happen to the gold clause?"

"Well," we said, "they've got gold on the brain over there. They have the devalued Sterling and they think everybody's going to devalue. But we're not going off the gold standard."

But we realized that we couldn't just say that, so we went to Sullivan & Cromwell and said, "The London partners have asked this question. Will you give us the answer?"

They said, "Certainly," and they put one of their juniors on it, a fellow named John Laylin, who was working under a senior or seniors. He did a monumental job of investigating the position of gold clear back. There were a lot of cases after the Civil War, the famous Greenback cases. And he finally came up with a volume about as big as one of your oral history volumes with the conclusion that if we did go off gold, it was quite possible that the gold clauses would not be enforced.

We were shocked at this and Prent Gray told me to send this thing to London and to write a covering letter taking the curse off it somewhat. And I did.

I said, "Here's Sullivan & Cromwell's report which, of course, we must give heed to, but we still do not think we're going off gold. And the question, then, of the enforcement of the gold clauses is a legal question. There can be different points of view on that, and different judges take different positions. So, on the whole, we don't think it's a matter to be too concerned about."

Well, that was just 100 percent wrong! We went off gold and then a very curious situation developed. The new people in the Treasury (and the old people too, for that matter) didn't know what in the world to do. They had, for as far back as the memory of man runs not to the contrary, been issuing prospectuses with

Simpson: this gold clause. And they had to do some financing immediately, so they did some financing and put the gold clause in again, although it already had been repudiated.

They realized that couldn't go on, so they sent--despite the antagonism between the New Deal and Wall Street, there were people who went back and forth--they sent word to New York that somebody must come down, some lawyer must come down, and straighten this out with them. But he should not be anybody of any prominence. Wall Street was so utterly unpopular that he should be somebody who was competent to straighten them out but was of no prominence.

Well, there was just one obvious person. That was John Laylin. He knew more about the subject than anybody in either Washington or New York and so he went down to Washington and to the Treasury. (Acheson was in the Treasury then, not secretary but assistant secretary or something of that sort.)

The result was that when the question went to the Supreme Court, the gold clauses were not upheld. Just why and how is itself a complicated story and I don't think we need to go into it, but the point was that the gold clauses were not upheld.

As a further result of that, John Laylin was involved in the drafting of the Gold Reserve Act of 1934, which was the law that governed our currency until recently.

Riess: I take it it was a good piece of legislation.

Simpson: Yes, I think it was. It served our purpose very well for quite a while and perhaps could have continued to do so had we not committed what I consider terrible errors in our trade and relief, foreign aid, policies. That's another long story, of course.

Riess: Wouldn't you have thought that they would have figured out all of the legal ramifications before they went off the gold standard?

Simpson: You'd think so, if everything was done by wise thoughtful men who took plenty of time, but life isn't that way.

That's not quite the end of the story. John Laylin, of course, participated in the cases before the courts and we in New York, his friends, said we'd nourished a viper to our bosom. [Laughter] Then he became close to Acheson and, after serving about two years in the Treasury, he joined Acheson's firm and spent the rest of his career in Washington as a very brilliant lawyer.



Pre-War Business with Germany

Riess: Sullivan & Cromwell sounds like an interesting firm. I gather they had an office in Berlin?

Simpson: Not a permanent one. They had a close relationship with a German firm, Albert & Westrick.

Riess: Townsend Hoopes says that Dulles was really blind to the threat of Germany.\*

Simpson: Well, Sullivan & Cromwell were lawyers for a lot of German-American financial transactions. The only way they could serve their American clients was to know the Germans very well and deal with them. You must remember that at that time the way to be nice was to help the Germans because they'd been very much crippled by the war and also everybody by that time was reading Keynes's book, The Economic Consequences of the Peace, about all the injustice that had been done to Germany.

So, Sullivan & Cromwell at that time were playing what you might call a very pious role in helping the American financial interests help Germany to recover, and they undoubtedly saw a great deal of both Albert and Westrick.

I met Albert and Westrick at that time. Later on in the Hitler regime I am sure these men were Nazis. But in the heyday when everybody was expected to be kind to the Germans, we had Westrick to a Christmas Eve party, or New Year's, or something. And he was a very attractive man. He'd been terribly wounded in the war. He was, as a lawyer, helping to rehabilitate Germany.

Later on in the Nazi time, before we were in the war, he paid a visit to New York and Allen Dulles told me that he had refused to see him. And if he had tried to get in touch with me--I didn't know him so awfully well, but we had had him to a dinner party--I wouldn't have seen him. But he didn't make any attempt to see me.

Riess: In 1935 there was a partners' revolt apparently at Sullivan & Cromwell and, according to Townsend Hoopes, they faced John Foster Dulles with the fact that they were going to re-form the firm unless he would sever his ties with Germany.

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\*Hoopes in The Devil and John Foster Dulles (p. 32) says: "This perspective was later to make him slow to recognize the danger of Hitler and Mussolini."

Simpson: I don't know anything firsthand of that, but it may have been.

I was on to the Nazis early and I have always been very proud of that fact. But, you know, the vast majority of American businessmen accepted the Nazis far too long. The vast majority of American businessmen thought it was sort of like Democrats and Republicans in Germany. What seems now so obvious, that you should have hated the Nazis from the very first time you ever heard the word, that was not at all the case then.

Riess: Why were the businessmen so blind?

Simpson: Partly because they wanted to do business, and partly because they were still under the influence of saving Germany. I suppose some of them were anti-Semitic. And I suppose they believed that it was all exaggerated.

You raised this question with regard to Foster Dulles. I think that Foster was just slow. Everybody hated Hitler in the end, but not everybody saw it clearly at the beginning, and I think Foster took a while to get on the boat.

Riess: It's very interesting. In a way it sounds as if because you did have some anti-German--something residual from World War I--you were more prone to see what was really happening.

Simpson: Well, I was there in 1937, about two years or so before war broke out. I went out to Vienna after being in Germany. That was before the Anschluss, before Austria was taken over.

And I sat down in a hotel room for a day and a half or so and wrote a long memorandum and I said that I'd been in Germany, seen everybody that I wanted to see, and they all assured me that Hitler wanted nothing but peace and that the excitement about possible war was overdone, and I said that I personally didn't believe a word of it, and that I thought Germany was a great menace. Did you read any of those memoranda?\*

Riess: Yes.

Simpson: Well, you know what I thought and said.

Riess: Yes.

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\*File of John L. Simpson's wartime correspondence. See "What This Country Faces if Germany Wins the War" in Appendices.

Simpson: I didn't actually predict war. I can't find any place where I said, "I think there's going to be war." But I did say that I thought there was a great risk of war.

Riess: You presented all the arguments for why war would come or could come.

Simpson: I'll tell you, you can hold this against Foster, I guess. He felt that the French and the English had acted so miserably in their own interests, their politics had torn them apart, and he said one time, "I don't see how the English and the French can expect that every twenty years we're going to come over and pull the Germans off their back."

Riess: That's interesting.

Simpson: I think he felt that the British and French had so deteriorated in their moral force in the world of affairs that it was just impossible for us to always redress the balance. I think, to that extent, he can be criticized. But good lord, in a book that I think I have up there, the author says, "Three Americans did great damage." One was Lindbergh, who went to Germany and came out with the report that it was impossible to cope with Germany, that we'd just as well make terms.

Another was Bullitt, who was our ambassador to France and who gathered a group of French politicians and statesmen, so-called, to hear Lindbergh's story, further strengthening their determination not to oppose Germany.

And the third was [Joseph] Kennedy, our ambassador in London, who did the same thing in England. Well, those were three respectable fellows, except Joe Kennedy. [Laughter]

This man who wrote this book, On Borrowed Time: The Year Between Munich and the Outbreak of the War, was Joseph Davis.

So, while I think Foster was slow on the uptake, I think that this fellow Hoopes is obviously very biased.

Riess: You thought America should have taken some stand, perhaps years earlier. What might have been done?

Simpson: Oh, well, our failure to join the League of Nations was a catastrophe. You can't say that it would have avoided the Second War, but it might have. And unlike the majority of people, I think Wilson was much to blame. Wilson could have had his League of Nations by accepting a few fairly moderate modifications. In the first place--this is getting off--he never should have

Simpson: gone to Paris at all. If he did go to Paris, he should have taken a Republican or two with him. And when the issue came up with the Senate and Lodge, he should have accepted some minor concessions which would have got the thing passed.

South America and the State Department

Simpson: My main foreign experience while I was with Schroder was with Europe, as you know, but I did make one extended trip around South America in 1940 and visited clients whom we had in the various countries. I had strongly the feeling that many South Americans were waiting to see who was going to win the war before they took sides very openly and strongly.

I was greatly impressed with Argentina as a country and completely wrong in my foresight because I had no idea that anything like Peron was going to happen. I participated with one of our vice-presidents named Norbert Bogdan (Boggy to his friends) in setting up a company in Argentina which did pretty well for a time and later was sold. It wasn't really very successful.

Riess: What kind of a company?

Simpson: Sort of a general finance company.

Riess: And what was the purpose of the trip to South America?

Simpson: The purpose of my trip was really to have a look at it and know what it was all about and be in a better position to deal and advise with other matters.

We had splendid relations with the Banco do Brasil. We picked a fellow in New York to send down there who stayed for many years as an agent and did a good deal for Schroder in two senses, promoting deposits of the Banco do Brasil with Schroder in New York, and also helping American businesses and companies to work out their Brazilian problems and thereby establishing friendly relations with them in this country. My trip was a rather general one in that sense. I didn't expect to pull off any particular deal and I didn't.

Riess: This was something that you had done over the years, going into countries and sizing up the financial situation.

Simpson: Yes.

Riess: Did you still look to middle echelon people in sizing up a situation?

Simpson: Well, in those countries I was able to go to pretty much the top people.

I had a marvelous experience in the State Department in connection with South America. One of Schroder's clients there was of considerable importance in the community, but there was some question as to where he stood with regard to the war. We determined to smoke the matter out with the State Department and find out the official attitude toward our doing business with him.

So, I went down to the State Department and I couldn't get Acheson, but I did get to a middle-rank bureaucrat, and I said we were in business contact with this man and we didn't know how he stood and we were afraid perhaps he didn't stand very well. "Could we refer to the State Department in cancelling our relations?"

"Why," this fellow said, "of course everybody knows that he's disloyal to the Allies and you ought to know that yourself."

"Well, then I can say that you--."

He said, "Yes, but if you like we might go in and see Mr. [Herman] Geist."

Geist was a fellow whom I had known in Vienna, we'd been good friends in the American Relief Administration. I asked him the same question and he said, "Of course you cannot. We would disown you, and I'm sure Mr. So-and-so told you so." [Laughter]

### The Price of Refinancing Germany

[Interview 7: June 9, 1978]

Riess: This matter of financing Germany goes back to the early '30s, does it?

Simpson: It goes back to the '20s.

The Treaty of Versailles imposed enormous financial burdens on Germany.

Riess: 132 trillion gold marks.

Simpson: Yes. I don't know where you got that, but--

Riess: I read that. It sounds enormous!

Simpson: Yes, it was enormous. [John Maynard] Keynes wrote his famous book, The Economic Consequences of the Peace.

Soon, however, something developed which had been un-anticipated but which played a great role, and that was that the mood of the victorious Allied countries changed and they began to have pangs of conscience. The Manchester Guardian was particularly outspoken in criticizing our policies, and other prominent publications and prominent people, and people generally. So, something had to be done about it.

But, in the meantime, something else was working--not directly associated in people's thought, but in actuality working hand in hand with this guilt feeling. And that was: lend money to Germany and contribute to its rehabilitation and make a nice profit in doing so.

Riess: That was the feeling in Great Britain? Were they in a position to be doing that kind of business?

Simpson: They were. Great Britain and the United States and, to a somewhat lesser degree, Holland were the principal suppliers of finance. And that financing was done in two ways: one, the bond issues, and two, commercial credits.

I think I did speak of Schroder and Dillon Read competing for the German steel bond financing. These were the famous foreign dollar bonds. They were foreign bonds, but they were expressed in dollars. They were high-yield. They yielded about 8 percent, and it was expected that Germany, having been a fine name in the past, was going to be similar in the future.

Riess: They were available to the public?

Simpson: They were offered to the public. The bankers underwrote the bonds and offered the bonds to the public, and the public (Tom, Dick, and Harry) bought them.

Riess: And the public had no second thoughts about it? I mean, there was no public feeling one way or the other?

Simpson: Well, the public feeling was they got a fine return on their money and it was a good thing to get Germany rehabilitated anyway. A profitable way to do a virtuous act.

Riess: Do you think that if the Treaty of Versailles had been less punitive that there would have been this response? Or do you think that there was a need to re-establish these relations with Germany anyway?

Simpson: Well, I think there was a need to re-establish commercial relations with one of the great trading countries of the world, but I think the guilt feeling was greatly fostered by things like Keynes's book. Keynes's book became a very popular book and widely read. And I think the general public, not themselves financial technicians (if there is such a thing)--I think the generality of readers of the literature, both books and newspapers, were influenced.

If all the information and advice they received had been to the contrary, I guess public opinion would have been far less sympathetic to Germany. But having been told that the Germans were barbarous people and cut off women's breasts and stabbed babies, people now were told that the Germans were a very fine nation; they were partly responsible for the war but no more so than the French, and something ought to be done about it.

Riess: Were propagandists really circulating this around the country, or was it just a slowly dawning awareness?

Simpson: I think the latter. Well, I think all the Germans who came here were propagandists, ipso facto, the consuls and ambassadors and what have you, but I would say that it was just a general thing.

Riess: And do you think it represents also a need to see one's fellow men as really decent human beings?

Simpson: Well, Germany had established a wonderful reputation during most of the life of this country. They had participated in the Revolutionary War, just as Lafayette did. What was his name? Von Steuben?

Riess: That's right, yes.

Simpson: And there are many, many German-Americans who 99 percent became loyal Americans during the war, but when the war was over and it looked as though Germany was going to receive a pretty rough deal on reparations, why, these German-Americans naturally reverted to something like their previous state of mind.

Simpson: (I had a fraternity brother whose name was Fenstermacher. He changed it to Fenston during the war. But I met a hotel clerk recently whose name is Fenstermacher. I said, "You didn't change your name during the war, did you?" And he said, "No, I wouldn't think of it.")

To get on with the story, Schroder, while British, had a lot of German connections and did a lot of German financing and went head over heels, both in London and in New York, in the issuance of government bonds and in commercial financing-- that is to say, 90-day bills, supposedly against commodities moving in trade.

Riess: You say "head over heels," like you sensed that they were overdoing it.

Simpson: Well, they didn't think so then, but it proved that they were overdoing it. In London they were overdoing it and in New York we were overdoing it. This was during the period of the Weimar Republic, the great period of virtue going along with profit, and the competition was very keen among the bankers to obtain the position of supplying this credit to Germany.

Riess: And did Schroder have a majority of the business?

Simpson: Oh, no. It didn't have a majority of the business, but it had a good share of it.

Riess: Compared to Dillon Reed, for instance?

Simpson: I don't know who did more. They both did plenty. I daresay it's quite possible that Dillon Reed did more in New York because they were larger in New York. In London, Schroder, I suppose, did about as much as anybody, maybe a little more than the average.

But, in any event, American and British bankers poured money into Germany by way of issuing loans and financing trade by short-term bills.

I think it was in 1930 that Schacht, president of the German Reichsbank at that time, came over to New York and made a talk that the American bankers were overdoing it; they were putting too much money in Germany. He made this talk at the Council on Foreign Relations. (I was one of the early members of the Council on Foreign Relations in New York and was there at this meeting.)

The American bankers were furious! He was spoiling their business.

Riess: Well, only insofar as they decided to heed his caution.



Simpson: Yes, but, you see, they were selling these bonds to the public. And if Schacht tells all and sundry, including the public, that this is unsound and overdone, why, the bankers are losing their customers. Their customers are being discouraged.

Anyway we went ahead and did all the German financing we could and then came the crash, beginning with two main events: one, the crash in October of the New York stock market; and two, the failure of the Creditanstalt in Vienna in 1931. The crash occurred in 1929 and the beginning of the crumbling of the commercial credit of Germany and Austria and others--they were the conspicuous ones--that dramatic failure was in 1931.

Riess: I don't understand what motivated Schacht. I mean, certainly it was to Germany's advantage to have the money come pouring in. It was your risk, not theirs.

Simpson: Well, it was to their immediate advantage, but Schacht really was a very wise man, even though he was later tried as a Nazi. Schacht could foresee the consequences.

Riess: So, did it earn him friends here in later events?

Simpson: Well, later events were the Nazis and Hitler. Schacht was one of Hitler's financial cohorts for quite a time; later on Hitler put him in jail.

He was tried at Nuremberg. A friend of mine visited him when he was awaiting trial. You know, Schacht was born in Brooklyn, he was absolutely bilingual. And this friend of mine called on him when he was sitting there in his cell and said, "Well, Dr. Schacht, I'm very sorry to see you in this position."

Schacht said, "Oh, don't give a thought to it. They've got to acquit somebody, as a matter of form, so it's sure to be me."

Riess: With the crash and the failure of the Creditanstalt, your pouring money into Germany ceased?

Simpson: It began to slacken. Schacht's speech had something to do with it, and the market began to be exhausted. Huge numbers of these securities had been floated, bonds. The rise of Hitler began to frighten people.

Riess: Did you go over to visit Germany during this period to look at things yourself?

Simpson: I went there a number of times in the '20s and the '30s, and the last time I was there was in 1937, which was two years before the outbreak of war, and then I went two or three times after the war, after '45.

Simpson: In 1931, following the failure of the Creditanstalt, and other failures following, the heyday of German financing was over. Also the banks and industrial companies which were being financed currently on 90-day bills--these credits began not to be repaid and pretty soon you had not a great recipient of funds for development which could easily be repaid out of their earnings, but you had unpaid bills coming due. And there were two kinds of sufferers: the people who bought the bonds pretty soon found that this high rate of interest was not being paid, and the banks who had poured money in in the form of current financing, bills, found the bills were not being paid or couldn't be paid.

So, largely under the leadership of London, and here Schroder's in London had quite a bit to do with it, they said, "Instead of everybody just struggling to get himself paid, 'devil take the hindmost,' let's organize a--" well, it really was a moratorium, but they called it a "Standstill" because it was a nicer-sounding word than was "moratorium." "We will stand still. Let us all agree to stand still with our claims, not try to enforce them." (I mean, not enforce them suddenly and cost what it may.) "We'll give Germany a chance to work out of this, which they will be able to do in the course of time."

And that was the famous Standstill, which was participated in by practically all large American and British banks. Of course, all of the British banks were large.

Now, coming to my own story, Schroder's story, we had done far too much of this financing, both as to bonds and as to the commercial financing through bills. As far as the bonds were concerned, there was little we could do about it. The bankers formed committees to try to negotiate settlements.

As far as the bills were concerned, that was a very difficult and dangerous matter because we had frankly over-extended ourselves. We had too many German claims in relation to our capital and it was very worrisome.

Fortunately, we were able to make arrangements with two of the largest banks in New York, who took the position that our bills would be good in the long run and bought them and supported them. And that was a very neighborly and broadminded thing to do.

Riess: What banks were these?

Simpson: [Pauses] I would prefer not to mention names.

Simpson: The question was: What were we going to do about it? We had a grant of time, but we had to pull up our socks and see what we could do. Well, we opened up a Berlin office. And an officer named Ernest Meili, one of our vice-presidents of Swiss origin, a very, very able banker, went over to head it and took others.

There was a way that you could get repayment, but at a discount, and the way was: Find people who were buying things from Germany and needed to pay in marks, and they would buy the marks from us, but at a discount. So, we could get payment, but at a loss. Our fellows were really marvelous in the way they worked that out because they liquidated claims for others for fees which partially offset the losses they took in liquidating our own claims.

I think we had ten people in that Berlin office at one time. And these different classes of marks were so complicated that the ordinary person couldn't understand what it was all about. The Germans worked out a most terrifically complicated scheme of different kinds of marks. Some marks you could use to buy a camera, but you couldn't use to buy a parrot's cage, or something. Some were travel marks which you could use to pay your hotel bill, but you couldn't use to buy a suit of clothes. They were called blocked marks, "blocked" because they could only be used for certain purposes.

Riess: It sounds like a terrible wonderful money game.

Simpson: It was. But, as I say, we determined to make a virtue of necessity, and if that was the game, we'd play it. And, as I say, some of our very able men moved to Berlin and liquidated our own claims partially and did so for others.

Now, there was a policy question involved. We could liquidate at a discount. The discount was widening. First we had a 10 percent discount and then probably 50 percent. How fast should we do it, and how much? If you believed that this was a passing phase and Germany would pretty soon recover and these obligations would be met, then you shouldn't liquidate at a discount and take too heavy losses. But if you thought that the Hitler regime was rising and going to rise, and Germany was set on a course which might very well lead to war, you'd better get out just as fast as possible, even taking heavy losses.

Now, there's where there could be an honest difference of opinion and there's where my good and close friend Ernest Meili and I didn't entirely agree, because he believed that: "Oh, the soup is not served as hot as it's cooked." That's sort of an

Simpson: English expression of how our London people felt. "We must not get too excited, this is a passing phase."

Here's where my letters, my general letters of political analysis come in. I was very apprehensive about the Hitler regime from the first. Everything is a matter of degree, but I said, "It's all very well to do this operation in Berlin which you're doing. That's fine. But we ought to move faster. We ought to get out of Germany. We should liquidate these claims and take our losses and lick our wounds and go on to something else."

But Ernest said, "Well, we should liquidate some, and especially we should develop this operation for others with the fee. But John was in Belgium during the German occupation. He's been kind of anti-German ever since. And we shouldn't get too excited. It's not at all certain there's going to be a war, probably won't be."

Riess: Was that Swiss neutrality speaking?

Simpson: It wasn't so much neutrality as it was disinclination to get excited.

Our German friends (we had many) all told us things were going to be all right. I had one friend particularly whose name was Mallinckrodt. He was himself an extremely nice person, very intelligent, and he said, "John, what Hitler wants is peace. And we've got to get these differences straightened out. Of course these attacks on the Jews are absurd, but that's a passing phase, and it's too bad. But, in the first place, the reports are exaggerated, and in the second place, you know the Germans aren't going to sink into barbarism."

I didn't believe him. I said to myself, "It just looks very bad to me. The Germans are a peculiar people. They get an obsession." When I was billeted with them in the First War-- and these were intelligent men and educated--they had an obsession about England: England, from the time of the Battle of Hastings, had been plotting the downfall of Germany.

Riess: That's their paranoid view?

Simpson: Yes. I felt they'd gone on the warpath, you might say, and that they were coming to no good end. And that's what I said in these letters and memoranda that you read. I was more pessimistic about the future behavior of the Germans than my friend Ernest Meili was; in many respects he knew much more about them than I did and was a better banker, but I was just

Simpson: more skeptical. The way we settled it was a compromise: we'd liquidate some more, not all but some more. But with our pushing and hauling--I one way, and others another way--at the outbreak of war in '39 we were out of Germany. We'd liquidated all our German claims.

Riess: Yes. And closed the Berlin office?

Simpson: Yes.

The Standstill went into effect in '31 and while we didn't immediately open an office, we must have opened one within a couple of years after that. We closed it in '39.

## X PEOPLE AND ORGANIZATIONS

John Foster Dulles, Informally

Riess: John Foster Dulles was counsel for Schroder throughout the war?

Simpson: Throughout its formative years and the war.

Riess: Was he a man you could have a discussion with? Or did you just have to listen to him mostly?

Simpson: Oh, certainly you could have a discussion. Did I tell you about his telling me about having attended the ordination of his son? One time he was making a speech here to some organization and his secretary telephoned me and told me that he was free in the afternoon, and would I like to take him for a ride around? I said, "Yes, delighted."

Well, we had a wonderful talk. Now, he's supposed to have no sense of humor. We were followed by another car with a security man and he laughed at that and said, "Isn't it fun to have a bodyguard."

Then he told me he had recently attended the ordination of his son, Avery. "Of course, you know I'm a Presbyterian," he said. "Our family is very definitely Presbyterian. And I was sorry when I saw Avery taking the course which he had. But," he said, "I attended his ordination and I found so many things in common with my own creed that I felt better about it and I really am not upset."

I said, "Well, I think you're sitting pretty. You've got a foot in both camps." [Chuckles] He laughed and said, "That's pretty good! I think that's right."

Simpson: Then, on another occasion, I was president of the World Affairs Council here for a couple of years and he was making a noontime speech to the Lions, who were holding a convention. I persuaded him to attend a dinner of the World Affairs Council, and he said he would if I would hold it to a small number and guarantee to get him out by 9:00.

Well, I arranged it for about 100 people--the trustees and their spouses and a few people like Walter Haas who were particularly strong supporters of the World Affairs Council--and we had the meeting at the Mark [Hopkins Hotel]. And I said, "We must see about setting up the receiving line. Is there anybody you'd like particularly to have in it?"

He said, "Oh, let's not have a receiving line. Why don't you give me a drink and you walk around with me and let me talk to people in groups or individually."

And it worked out wonderfully. He couldn't have been pleasanter and chattier. People liked him, apparently, gave every evidence of it. He made a good talk. He was going to fly back in Air Force Number One, so his time was flexible. I couldn't get him out of there. He had made me guarantee to get him out at 9:00; I had a hard time getting him out at 10:00. He was having a good time. I think the people that evening liked him very much.

The Allied Control Commission: Henry Grady

Riess: How did you get onto the Allied Control Commission?

Simpson: One of my best friends ever was Henry F. Grady, who was later ambassador to India, Greece, and Iran, successively. He had held various positions in the State Department, the Tariff Commission and so on.

Riess: Was he a CRB acquaintance?

Simpson: No, no, he was really an old family friend.

Riess: A Californian?

Simpson: Yes. And, as I say, one of my very best friends, and I think he considered me one of his best friends. He was a marvelous fellow who had a great sense of humor.

Simpson: The Salerno landing had occurred, Naples and Bari were in Allied hands. They were setting up the Allied Control Commission, which was to supply a military-civil government pending the complete liberation, the restoration, of Italy to its entire independence. That was the Allied Control Commission.

Well, it was the most balled-up and worst-organized thing I think I ever had anything to do with. Grady was joint chairman with Lord Stansgate, whose son is now making all the trouble he can in England, joint chairman of the economic section of the Allied Control Commission.

This civil government--I hate to talk about it, it was so terrible. They got fellows, businessmen, professional men, and made them majors, lieutenant colonels, and full colonels, and sent them over there with no adequate preparation for them. And they went to a place in Algeria--I'm going to give you the name and if you ever mention it to one who was there, he'll walk out on you--Tizi-Ouzou. Thank God I wasn't there. As far as I can make out, it was a jumping-off place. They were billeted there until they went into action. Well, there was no action for them to go into! The military had captured that part of Italy and had Naples.

But, anyway, Henry Grady invited me to join his group. You know, one person couldn't do anything at all; you had to have a group, a team. So, I went. I was financial adviser to the co-chairmen of the economic section of the Allied Control Commission in Naples. Nobody knew who had any authority and, if you did have any, what it was.

Riess: This whole thing was the conception of the British and American governments who thought that they must be ready to administer Italy as it was liberated?

Simpson: Yes.

Riess: Do you think that the idea was a good idea?

Simpson: Well, I guess it worked pretty well in Berlin. I think an international partnership is extremely difficult. And while apparently the British and the Americans in the combat units got along well, they didn't get along very well in Naples.

Riess: What was the function of this economic section, and what was your function as financial adviser?

Simpson: [Wryly] I don't know; I never did know.



Riess: So, you had a little junket to Italy?

Simpson: [Laughter] No. I performed my duties very well. I obeyed my great friend Harry Grady, who was senior to me, and I carried out his orders. And one of his orders involved Lord Stansgate, whose name had been Captain Wedgewood Benn--he was in the British Parliament and he had been made a Labor Peer, Lord Stansgate.

Lord Stansgate said that he had to have a walk for twenty minutes after meals and he enjoyed it very much if he had company to walk with him. So Harry Grady, that miserable fellow [chuckles], said, "John, you've been in England and you're a great friend of the English and all that, so you go and walk with Lord Stansgate for twenty minutes after lunch." [Laughter]

"Is that an order?"

"Yes."

So, I walked with this fellow up and down for twenty minutes. And Harry Grady and a couple of others of our group were sitting grinning from ear to ear. [Laughter] Well, I shouldn't make fun of it.

I made that contribution to the winning of the war, and also another one. This was before Grady had received all the honors he later got. And I told him that he'd be pushed around by the military unless he held some real rank, and so he got the rank of minister.

Perhaps I am too harsh on the Allied Control Commission. After all, we did collect and bring back valuable information on conditions in Southern Italy and the kinds of problems which would have to be dealt with in the final post-war adjustment.

Bill Donovan

[Interview 9\*: June 22, 1978]

Riess: I have read your essay, "What This Country Faces if Germany Wins the War." Did you write that for publication?

Simpson: I wrote it for any effect it might possibly have on the thinking of Americans who might read it.

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\*Interview 8 incorporated in earlier text.

Riess: And was it published anywhere?

Simpson: It was unfortunately published in a not at all effective place. A Boston paper picked it up.

I wrote it following a dinner I'd had with Bill Donovan, whom I'd known for a long time. I had just completed my trip around South America. It was in 1940. I happened to meet Bill Donovan and he invited me to dinner for me to tell him about my impressions of the South American trip.

Riess: Why did Bill Donovan want this intelligence from you?

Simpson: Bill Donovan was an American military hero; he was a combat officer in the First World War and I think he was the only one who received all the three top military medals. He was obviously a devoted patriot. He said at this dinner conversation, "People don't realize. People think we can choose to help England but steer clear of it ourselves, with impunity, but we cannot. If Germany should win, it would mean that she would have extended her realm to include Russia and we would be really in a very serious predicament. Our very freedom would be at stake."

I agreed with that, with far less authority than Bill Donovan, and I decided to sit down and write what I thought our position would be should Germany win. And so I wrote this paper. The New York Times said it would publish it if I'd shorten it, and while I was considering whether I could shorten it or not, a Boston paper--I think it was the Boston Herald, but I'm not sure--picked it up and printed it. I had distributed the type-script around to various friends.

That killed it for the Times and it never was otherwise published. I think it was pretty good at the time, but I do think it is dull reading today.

Riess: Would you say that it represented a view of the banking establishment, or really a personal view?

Simpson: The latter. I don't think it particularly represented the banking establishment.

Riess: In fact was it running counter to the thinking around that time about how we could really still work with Germany?

Simpson: The thinking around that time was "all aid short of war." On this there were two types of thinking. There was Lindbergh's thinking, which was not only don't voluntarily enter the war, but also don't get drawn into it. And the other thinking was "all aid short of war."

Riess: Did you keep up that acquaintance with Donovan? Did you get some insight into the formation of the OSS?

Simpson: No. He invited me to join the OSS when he was forming it. He told me about it in its early formation and that he had extracted from the President a promise that intelligence would be centered with him and he'd set up an organization which would cover the field. But I didn't accept the invitation.

Riess: Was it tempting?

Simpson: Somewhat, but I could see that it was--[pauses]. He had Jimmy Roosevelt in to have a talk and I thought that he was going to move in directions regarding the selection of personnel and that sort of thing that I wouldn't like very much. I really have nothing to contribute regarding the OSS.

#### Allen Dulles

Riess: I was interested in whether, as you have gone back and forth between countries, you have been asked to do anything that might be seen as intelligence work?

Simpson: No, I haven't.

Riess: And yet Bill Donovan asked you to have lunch and kind of brief him on the South American situation.

Simpson: Well, I say "no." I had some very good contacts in the State Department, especially Henry F. Grady, and of course I talked to him about Europe and what was going on, and Allen Dulles also. But I didn't have anything to tell him [Dulles] about European intelligence. He told me. He told me all about the U-2 incident at breakfast in London, but I found later he hadn't told me anything more than he had told others.

Riess: Was that the morning after it had happened?

Simpson: It was very soon after, very soon after. We were both in London and we made a date for breakfast. I came over to his hotel. And I was very careful in my approach. I said, "Allen, I don't know how much, if anything, it would be proper for you to tell me about this U-2 and obviously you wouldn't relate anything if it is not proper, and I wouldn't ask you."

Simpson: "Oh, no," he said, "I'd be glad to tell you. I think it's a good thing for responsible people to know what happened." And then he did tell me the story. It had been going on for about four years. The Russians undoubtedly had known about it for a long time. He placed great emphasis on the accuracy of the photographs. He said, "It's amazing. They could get a picture of this breakfast table. They could almost get a picture of the orange on it."

But he said--and this never came out, as far as I know, I never heard it publicly--he said, "The fact is, there are only about thirty days in the year when the light is suitable so that you can get these pictures."

I said, "Well, Allen, what about it? We were going to have this conference here [Paris Peace Conference]."

"Well," he said, "nobody called me off." And he said, "It may seem odd now, but this was one of the good days and I just went ahead and took our pictures as I always did."

I said, "Of course, I'll not mention this, our conversation."

"Oh," he said, "I don't mind at all, to responsible people." He said, "There's just one exception." He had told me how many of those U-2 planes they had and he said, "I'd just as soon you wouldn't mention that." And I never have, from that day to this. It's of no earthly value now, of course. I've even forgotten the number.

Apparently, as a matter of policy, he had decided to make the details known.

Riess: Did you feel that being CIA director changed him?

Simpson: Well, I couldn't understand how he could have lent himself to the Bay of Pigs, and on that I never exchanged a word with him, I felt that was too delicate.

I thought he was so able and wise that I didn't see how he could have lent himself to an attack without air support, and I still don't, because, you know, that's what happened. These poor fellows got ashore and the munitions ship or ships which were to come in support were sunk because they had no air support. It was a ghastly thing.

Riess: Were there any other incidents that you had a chance to talk with him about during the CIA period? Was he available to you, or did he have to close himself off during that period?

Simpson: Oh, no. He was available for personal and social contacts. I visited him in his office a few times and saw him at lunch.

Riess: That would be a hard line to toe, to conduct conversation and stay short of what's indiscreet.

Simpson: Well, did I tell you about my wife's conversation with him?

Riess: No, I don't think so.

Simpson: Our families were really quite close. We had houses in the same block on 61st Street. We visited back and forth a lot and Grete knew Allen very well and was very fond of him. She said to him one time, "Allen, you have the marvelous faculty of having a conversation which is most interesting and one feels enlightened. And then, on thinking it over, one realizes you haven't told us a thing." She said that as a compliment, but he was rather offended. [Chuckles]

#### Adlai Stevenson

Riess: Was your association with Adlai Stevenson during the same period?

Simpson: More or less. I met Adlai Stevenson through the Grady expedition to the Allied Control Commission in Italy. Stevenson was on another one of those economic organizations that were set up. And we were told, "Look out! You'll run into a fellow named Adlai Stevenson. You'll probably have a row with him." But we didn't at all. We did meet him and his group, which was about the same number as ours, half a dozen. We got along fine and exchanged ideas.

Riess: "Probably have a row with him?" Why?

Simpson: Oh, all these different organizations were having internecine warfare.

Riess: It was the organization. It wasn't that Stevenson was abrasive?

Simpson: Oh, no, no. He was anything but abrasive. And I maintained a friendship with him, really, until his death. He knew I was a Republican and I told him I'd voted for Eisenhower, but that did not make any difference in our friendship. It was not an intimate friendship, but a pleasant one. I had him to lunch here in San Francisco two or three times.

Riess: To meet people?

Simpson: Yes. One time we had about a dozen. We sat down and I said, "Adlai, I think you've got to realize that most of these fellows are undoubtedly Republicans." And one of them said, "Well, let's see if he can make some converts." It was a good time because it was after his Russian trip, in between political campaigns, and so it was a suitable time to have a friendly meeting, and they liked him. He was so engaging, you know.

Riess: Did he make any converts?

Simpson: I don't think so.

Riess: What sort of a group was it that you had to meet him?

Simpson: Businessmen and bankers.

At this particular luncheon we talked about Russia. We didn't talk politics at all.

Did I tell you about his comment on the Nixon article? Grete and I took him and Mrs. Lasker to lunch over at the Spinnaker. I had read an article of Nixon's, which I thought was very interesting. He said that a candidate for President had to realize that there were (at that time, I guess) about twenty million people who voted in a presidential election, but who did not take the trouble to vote in the off-year in the Congressional elections. And he said one really must think over what kind of people they are.

Who are these people who come out only for presidential elections? Well, they're probably people who read the comics rather than the editorials, who read short articles rather than long ones, who read about domestic matters rather than foreign, and who are interested in stories of crime rather than stories of educational advances, and so forth.

Riess: And this was as Nixon speculated in the article?

Simpson: This was Nixon speculating as to how a candidate had to recognize these twenty million people who had the interests such as I've mentioned.

And do you know what Stevenson said? He said, "I should think that a candidate ought to state what he believes and let it go at that."

Simpson: I thought to myself, "Well, Adlai, you are an awfully nice fellow, but you are never going to be President," because it seemed to me, obviously, that these fellows who are running for office, the smart ones, are going to study things like that, and they are going to try to get the vote of the people that read the comics instead of the New York Times editorials.

Riess: And there was Stevenson being above politics.

Simpson: Yes. But you can't be above politics and win, can you?

### Nixon, and the Presidents Preceding Him

Riess: You said when we first met that you thought that Nixon's reputation, after all is said and done, wouldn't be so bad. What is your view of Nixon and of how he'll come down through history?

Simpson: I think Nixon is not a good man. But I think that down to Watergate he was a pretty good President. Now, a man can be a bad man and still be useful to his country, and the outstanding example of that in history is Talleyrand, who was a very bad man but of great use to France. I think the opening to China and Nixon's handling of the Russian relations were very good. I think if Nixon had not done the horrible things that he did and ruined himself, he might have gone down as one of the better presidents.

To use a vulgar word, I think Nixon was a stinker. I think Talleyrand was a stinker also, but he managed to make a very good deal for his country in the Congress of Vienna by playing the Allies off one against the other and managed to get France in a much better position than her military defeat might have suggested. I think Nixon was something like that until he committed political suicide.

Riess: To step back and look at the presidency before that, how about [Lyndon Baines] Johnson?

Simpson: Oh, I never had much of a feeling about Johnson one way or the other. I was afraid of Goldwater in that election because I was afraid he was going to get us in too deep in Vietnam. [Chuckles] That shows how smart I was regarding that one!

Riess: How have you felt about [Hubert H.] Humphrey over the years?

Simpson: I never liked Hubert Humphrey. I thought Humphrey didn't know anything. He just couldn't learn, didn't really know anything about economics and political economy. I thought he just felt, "Appropriate so-and-so much money, and it will all be all right." I think our extravagance and irresponsibility in Congress and under such leaders as Humphrey has been one of the things that has brought us into this plight which we are in.

Riess: How about to go back to [Dwight D.] Eisenhower? Do you think he understood the economic angle?

Simpson: Oh, I knew Eisenhower was not a brilliant man, but somebody said one time, "Ike had just enough savvy to decide between golf matches that it wouldn't be a good thing to get into a land war in Asia," and that's about the way I feel about Eisenhower.

Reverting to Stevenson, in one of my conversations with him I said, "Adlai, your trouble was that it was like running against Napoleon the morning after the Battle of Austerlitz."

Riess: That's a wonderfully apt description of the situation.

You've never broken your party ties, then?

Simpson: Yes, I voted for Wilson, a long time ago!

Riess: I should think you would have been tempted by Stevenson.

Simpson: No, I wasn't. I regarded him highly as a friend, not an intimate friend but a friend, and as a fine honorable man, but I still would prefer Eisenhower.

Riess: How did you view Kennedy?

Simpson: I never liked any of the Kennedys.

I was president of the World Affairs Council for a couple of years and they have a conference at Asilomar for four or five days in the first part of May every year and usually have very strong people. During my presidency the chairman of the conference and I got Jack Kennedy, when he was Senator, got him out and really put him on the key spot, which is the Saturday evening, and I thought he acted in a kind of a cheap way.

The other man on the Saturday evening program was Art Dean. You may not be familiar with his name. He was a partner of Sullivan & Cromwell, but he carried on the Korean negotiations for a long time, Arthur Dean.



Simpson: This is a small thing, but I think it is so indicative of the Kennedys. Kennedy was to speak last, Dean first, and he did. I asked Kennedy whether he was going to sit on the platform while Dean spoke, as Dean would obviously have to do while Kennedy spoke. He said no, he had some notes he wanted to make. So Dean spoke and then Kennedy, accompanied by half a dozen hangers-on, walked up the aisle--I mean, his entrance was like a Conquering Hero's--and read his speech, which was a very good one. But I felt that was so typical of the Kennedys.

Riess: The arrogance.

Simpson: And trickiness.

And Chappaquiddick. Just think of a man surviving politically after Chappaquiddick! No, I was not ever a Kennedy enthusiast.

Riess: You were saying that you were puzzled by Dulles's role in the Bay of Pigs incident. Really the Bay of Pigs always looked like Kennedy's error.

Simpson: Certainly, on the record it was. But I must say, even though, as you see, I don't like him or his memory, there had been an awful lot of build-up for it. The thing was not a clean slate. There was a great deal of preparation and a great many people in high places were strongly committed to it.

While Kennedy was President, and it was his responsibility, and he committed an awful blunder, I do think you have to realize that he had a tough position. To have called it off would have raised a rumpus with quite a lot of important people. You see, while I'm a Republican I'm not entirely biased.

### The Marshall Plan

Riess: Through the war, and post-war, you were already starting to observe the things that led up to the need for the Marshall Plan?

Simpson: Yes. As you know, Berlin was in utter ruins and so were a great many other German cities, and the economy was completely smashed. The Russians were transporting as much machinery and equipment out of Germany as they could get their hands on, or at least trying to transport it, and then getting it out in the snow so that it got fairly spoiled.

Simpson: I didn't go to Europe or Germany immediately after the war, but a couple of years later, in '47 it was, I made the first trip. I had a good German friend, who was one of these Germans who kind of sat the whole Nazi thing out. He had a farm and he never became a Nazi and he wasn't a hero either. He was a farmer and I saw him on this first trip I made after the war. We made a trip together through the Rhineland, two weeks, and I was perfectly amazed and staggered by the progress that they had made in this short period, really only months, since the defeat. People talked about "the miracle of Germany," and it was a miracle; it seemed like a miracle.

Well, I'll backtrack a little, but it's all part of the same story. In New York before the Marshall Plan had been put into effect, but after it had been announced, Grete and I had dinner with friends, and among other guests there was Goldschmidt, who had been head of one of the largest and most powerful German banks, the Darmstädter National Bank. He was Jewish and had got out and was living in New York. Of course, we talked about the Marshall Plan. This man said he thought it was the greatest nonsense he ever heard of, that we would just pour a lot of dollars down a drain in prostrate Europe. There was no idea at all that just money was going to be able to really help the situation.

Riess: Did he distinguish between the countries, or just all of Europe?

Simpson: All of Europe. As a matter of fact, you know, France and Italy were teetering on the edge of communism.

Riess: It wasn't that Goldschmidt was just embittered about Germany?

Simpson: No. He was talking from an economic standpoint. That was his judgment.

There were prominent economists like Hazlitt who were writing articles against the Marshall Plan. I wrote an article in favor of it which got distribution of a few copies through the Stimson-Patterson Committee--whereas my opponents were getting their articles distributed by the millions through magazines like the Reader's Digest and so on.\*

So, I've deviated, but I did it deliberately. I'm coming back now to this trip to Germany. I called on Hermann Abs, who was considered the outstanding banker in Germany, the head of the Deutsche Bank. I called on him in Frankfurt.

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\*See Appendices for John L. Simpson's reprint, "Dollars Can Help Save Europe."

Simpson: I asked Mr. Abs, "This miracle of Germany. I've been traveling around here a bit and I can see it. I see with my own eyes what's going on in the way of reconstruction. How did this miracle come about? You don't make miracles out of teacups."

He said there were three principal causes. One was the great influx of labor from the east [East Zone, now East Germany]. These people were so wretched and so miserable that they would just work their hands off to get a living. "We had cheap labor and very hard workers."

And another cause was the currency reform. They did a major job of reforming the currency and started afresh. It was very tough on some people, but it gave many people confidence in the new currency and put them into operation.

And the third reason is the Marshall Plan, without which the other two would not have been enough, he thought.

Here were, respectively, the heads of two of the big banks, and therefore two of the outstanding bankers of Germany, and their views and attitudes were exactly opposite regarding the Marshall Plan.

Riess: It sounds like one was a very bitter man.

Simpson: He was not only bitter, he was very foolish, I think. The question was: Could you, by financial support, prevent France and Italy going communist? And they were on the very brink of it. I think the Marshall Plan was a great act of statesmanship on Truman's part.

Riess: It must have taken a bit of statesmanship to convince America that this was what we could be doing. How much of a selling job did Truman have to do?

Simpson: [Pauses to think] I don't know. I remember the first conversation I really had about it was with Allen Dulles on a steamer going to Europe. Neither of us really understood just how it would work with regard to the relationship between the dollars and the local currencies. And were they going to be required to repay or offset in marks, and francs, and lire, the dollar subsidies? There was a lot of writing and talking about it. Very strong opposition.

I think [Henry L.] Stimson had a strong moral force. He was a highly respected man and I think that his lending his name to it helped quite a lot. [Robert P.] Patterson was a fine man also. (It was the Stimson-Patterson Committee.) But, of course, he wasn't nearly as well known as Stimson.

Riess: [Reading from a reprint of Mr. Simpson's article, "Dollars Can Help Save Europe"], Mr. Henry Hazlitt has expounded his view in a book entitled Will Dollars Save the World?"

Simpson: I think his article was published in the Reader's Digest, which has a circulation of 15,000,000, and I think the Stimson-Patterson Committee got about 30,000 copies of mine to put into public hands.

But I just think the American people for once sensed the danger and reacted to it. Obviously, as far as the written documents were concerned, Hazlitt's had me completely crushed to earth. But I guess that was not the answer; I guess that maybe for once the public realized the grave danger of Western European countries going communist.

Riess: And the press got behind it?

Simpson: Yes.

Riess: It sounds like it might have some parallels to some of Hoover's efforts to awaken this country when he was raising funds for the CRB.

Simpson: Yes. But that really was an easier job than the Stimson Committee's job. Hoover was arranging benefits for our allies and friends, and the promoters of the Marshall Plan were telling us we had to go and help our enemies.

#### Council on Foreign Relations

Riess: Mr. Simpson, I see that you were a member of a number of groups that interested themselves in foreign affairs, or world affairs. The first noted is the Council on Foreign Relations. What was its make-up?

Simpson: The Council on Foreign Relations is an organization in New York which was formed shortly after World War I and had become a very high-level, and I think the word nowadays is "prestigious," organization. I was never active in New York, never held an office. But I was a member of it from very shortly after its formation until recently.\*

Riess: And what was the membership of it composed of?

Simpson: It was composed mostly of New York, Boston, and Philadelphia lawyers, businessmen, diplomats, and so on. They have committees throughout the country which are related to the parent organization

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\*See Wall Street Journal item on current status of the Council, in Appendices.

- Simpson: in New York, and there is an annual meeting to which these local committees are requested to send their chairman or secretary or somebody. I was chairman of the committee here for a few years. They have about sixty people or so; you are invited to membership; you can't just join.
- Riess: Sixty people in the local group, you mean?
- Simpson: Yes. Some hundreds of people in the New York parent organization. The New York organization supplies local groups with some speakers, and other speakers they dig up themselves. They meet for dinner and they have no office or organization.
- Riess: Are they advisory to some aspect of government?
- Simpson: Well, the Council on Foreign Relations in New York has acquired the reputation of being the "eastern establishment," an organization which most nearly approaches being a semi-official-- although they would disclaim that--organization from which many members go to Washington and occupy government positions, and others come back from Washington and are members of the Council.
- Riess: Isn't it just such an organization that Nixon resented so? He wanted to surround himself with people who were not of that "eastern establishment" group.
- Simpson: Well, I suppose so. I don't believe he was a member of the Council, but I wouldn't swear to it. Yet I think Nixon had more support in the east than he had in the west.
- Riess: Was the composition of the Council politically one way or the other? Or would you say it was well balanced between Democrats and Republicans?
- Simpson: That was not a criterion of membership. I would guess that there are probably more Republicans than Democrats, but it is not particularly partisan in that way. It isn't a Republican club.
- Riess: If the Council on Foreign Relations really amounts to the eastern establishment, at least in New York, what does it amount to in terms of the San Francisco establishment?
- Simpson: Well, it has a very good membership of people who are interested in foreign affairs.

Incidentally, the Council on Foreign Relations is strictly male, whereas the Foreign Policy Association is coeducational.

Riess: Oh. And no women have gotten into the Council on Foreign Relations in the last few years?

Simpson: No, not so far as I know.

Riess: I just wondered if it was the same group that you would find at the Pacific Union Club, or the same group that you would find at the Bohemian Club. In a place as small as San Francisco, if you have a membership of sixty, it may always be the same sixty.

Simpson: Well, it's not like the Pacific Union Club; it is not a club, for one thing. They're both very good organizations.

#### Foreign Policy Association

Simpson: Now, the Foreign Policy Association is very different. That's also centered in New York. I was a director of that for several years.

Riess: Was that postwar?

Simpson: I don't know just when it began. I don't think it is as old as the Council on Foreign Relations, but it's been there quite a while. And that's open to the public. You become a member by paying your dues.

Riess: And what does it attempt to do?

Simpson: It attempts to educate the American people in the realm of foreign affairs and it does that mainly through meetings in New York. It does not have any branches, such as the Council on Foreign Relations, but it operates a program called "Great Decisions." "Great Decisions" is a program they get out every year based on a selection of about eight problems (Vietnam, terrorists in Italy, and what have you). Discussion groups are organized throughout the country, on a voluntary basis. They rotate and meet at one another's houses. And this has made a great deal of headway during recent years.

I think the Foreign Policy Association does not try or pretend to be a prestige organization but is very active and, I think, reasonably successful.

Riess: Is there a journal that they get out that keeps the members informed?

Simpson: They get out Headline books. [Looking at bookshelf] I have one over there.

World Affairs Council

Simpson: Now, on my list here, the next is the World Affairs Council of Northern California. That corresponds much more nearly to the Foreign Policy Association because membership is open. There are now about 6,000 members, male and female, and the dues are moderate. (The dues in the Council on Foreign Relations are fairly stiff--I've forgotten what they are now, about \$200 or \$300--whereas the Foreign Policy Association you may join for almost anything, according to your means.)

The World Affairs Council was formed here and it's very self-conscious of that fact. They want no directions from New York as to how they shall conduct their affairs or hold their meetings or what have you. I mentioned Asilomar. They hold an annual series of lectures and seminars at Asilomar.

Riess: When you say they want no direction from New York, why would they be getting any?

Simpson: Well, they wouldn't. But I said that in contrast to the Council on Foreign Relations, where the local committees are under the aegis of the Council in New York.

Riess: The World Affairs Council of Northern California grew out of the Institute for Pacific Relations?

Simpson: There was some relationship in the past and it was before I moved here. I think there was some unpleasantness about it. And didn't the Institute of Pacific Relations get into trouble because it was supposed to be communist-oriented?

Riess: I believe so.

Simpson: When I was elected president of the World Affairs Council, which was in the late '50s, one of my friends said to me, "John, how in the world can you get mixed up with that 'Red' organization?"

I said, "Why, that's perfectly ridiculous! It's not 'Red' at all." That's clear in the past now, nobody thinks of such a thing now, but twenty years ago they were still thinking about it. I don't know what the Institute of Pacific Relations did to get themselves in so wrong, but they were.

The World Affairs Council holds--too bad I didn't keep the last bulletin.

Riess: Didn't they just entertain the New Prime Minister of India at the Commonwealth Club?

Simpson: Yes.

Now, I played a little role there, which I think was a good one. In obtaining these foreign dignitaries as guests, there's a certain competition between the Commonwealth Club and the World Affairs Council. The World Affairs Council likes the fellow because he's a foreigner, and the Commonwealth Club likes him because he's a prominent man, so, there has been a certain amount of competition. The Commonwealth Club had an executive director who did not always get along well with the Council and that tended to emphasize the differences between the two.

Riess: Were you a member of the Commonwealth Club also?

Simpson: Yes, but I played no role in it.

Well, when Dave Zellerbach, who was a very highly regarded man here, as you undoubtedly know (ambassador to Italy), returned here, both organizations wanted to have him as a speaker and to give a dinner for him.

Gordon Johnson was at that time head of the Commonwealth Club and a good friend of mine. We got together and said, "Look, why do we have this competition? Both organizations want Zellerbach. Why don't we do it jointly." We decided that that was the sensible thing to do, and we did it. People have forgotten it now, but I really think that was the beginning of a better relationship between the World Affairs Council and the Commonwealth Club because Gordon Johnson and I decided that quarreling was no good.

Riess: Oh, that's interesting. And there have been other joint endeavors?

Simpson: Many since then, yes. I chalk that up as one little thing that I had something to do with.

Riess: You noted here [referring to Mr. Simpson's outline] your efforts to improve relations between the Foreign Policy Association and the World Affairs Council.

Simpson: Yes, I was placed in a very embarrassing position. The World Affairs Council had an executive director who was a good director in some respects, but in other respects he was difficult. And the Foreign Policy Association wanted the World Affairs Council to support their "Great Decisions" program and put notice of it in the Council bulletins and encourage Council members to form these informal groups; and the director and a committee turned it down. I knew nothing about it, although I was president.



Simpson: The next time I went to New York, one of my good friends, Eustace Seligman, who was chairman of the Foreign Policy Association, said, "John, what's the matter with you? What have you got against the Foreign Policy Association?"

I said, "I have nothing against the Foreign Policy Association. I'm all for it."

"Well," he said, "you turned down our request to cooperate in the 'Great Decisions' program."

I said, "I know nothing about that."

Riess: That's embarrassing.

Simpson: Well, then I came back and I found out what had happened. The director and a committee had decided that they wanted no part of working with the Foreign Policy Association, that they were free and twenty-one, and highly independent, and had been formed by people here, and belonged to people here.

Riess: That's interesting, that attitude.

Simpson: Well, I couldn't undo it immediately, but gradually other people came into key positions and gained influence, and now I think they work actually hand-in-hand.

Riess: Why do you think there is that terror of being absorbed on the part of this uniquely Northern California group?

Simpson: Chauvinism. I lived twenty-seven years in New York and really became a New Yorker as well as a Californian. There is still a kind of a feeling--much less, but a kind of a feeling--that we don't want to be snubbed out here.

Riess: Yes. So you set yourself so far apart that there was no danger of it.

Simpson: Yes.

Riess: Is there any government financial support for any of these organizations?

Simpson: There certainly is not for the Foreign Policy Association. I don't think the Council on Foreign Relations gets any. They get large donations from large private charities, but I don't think they get anything from the government.

Riess: Nothing to influence them.

Simpson: No. Oh, no. No, I'm sure they don't because that would, of course, be very dangerous.

There's one other thing I was going to tell you about the World Affairs Council. They raised the money for a building and realized an ambition of many years of having their own building down on Sutter Street. It isn't all paid for yet, but largely.

Oh, it's a fine organization. They do a fine job.

[Chuckles] When I was still a director of the Foreign Policy Association, there was a board meeting and the World Affairs Council was trying to get a grant or grants from the Ford or other foundations. And, of course, these foreign policy groups are much stronger in some parts of the country than in others. In the meeting, one of the directors said, "Really, these local organizations are not accomplishing anything except maybe the one in San Francisco." (This is supposed to be one of the best, the best, I think, this and Cleveland.) "Why don't we take the attitude that: let the foundations give them nothing at all, but give it all to us, and we'll distribute it throughout the country in the best way."

I laughed. I said, "Oh, I don't believe I'd take that line because they'll say, 'What did we tell you about New York!'" [Laughter] "What did we always tell you about New York!"

Riess: Mr. Simpson, would you like to add anything more on the work of the World Affairs Council? While you were president there may have been some meetings and people here that you'd like to talk about.

Simpson: Well, I presided at dinners or meetings for the king of the Belgians; for the president of Germany; for the king of Morocco; for Norstadt and Taylor, who were both high-ranking generals; Foster Dulles. That was my first--I think I mentioned that.

Riess: Yes, you described that evening.\* In any of these cases was the the World Affairs Council used as the forum for a major foreign policy statement?

Simpson: Not in my time, but Kissinger, about a year or so ago, made an important statement at a luncheon of the World Affairs Council. There have been several occasions like that.

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\*See p. 111.

Simpson: They're all fine organizations, each in its way. Each one is different. They're three different things, but they're all headed in the same direction, and they're all good organizations. I like to think that I did a little something for them when I was active.

Riess: Yes, it sounds like you definitely did.

The Introduction of McCone to Dulles

Riess: I have a note that you introduced Allen Dulles and John McCone. How and when did they meet?

Simpson: The occasion was the 1948 election when Dewey was supposed to win and didn't. We were invited to an election dinner at the Allen Dulleses', who, as I said, lived in the same block with us.

At that time we were seeing quite a bit of John McCone and his then wife, who has since died, Rosemary McCone. I guess we had invited them to dinner before we'd received the Dulleses' invitation, because we had an engagement with them, and when we received the Dulleses' invitation we said, "We'd love to come, of course, but we have some guests from out of town."

And they said, "Oh, bring them along. It's going to be a buffet. It makes no difference. Bring them along, by all means."

Well, the guests from out of town were John and Rosemary McCone, and we went over to Allen and Clover Dulleses' house for a gala dinner, and we had the dinner, but the gala got a little tarnished.

Riess: [Laughter] Yes, when you got the news.

Simpson: In the course of the evening. But, in any event, that's how Allen Dulles and John McCone met, and that's really all there is to the story. It was just an amusing incident that we did introduce them to each other and later each one successively became head of the CIA.\*

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\*Allen Dulles, Deputy Director, CIA, 1951-1953; Director, CIA, 1953-1961. John A. McCone, Chairman, U.S. Atomic Energy Commission, 1958-1960; Director, CIA, 1961-1965.

- Simpson: John McCone, in the meantime, had become chairman of the Atomic Energy Commission.
- Riess: You've talked about your friend Lewis Strauss a couple of times.
- Simpson: Yes, he was a very good friend.
- Riess: How does that all fit together? McCone was chairman of the Atomic Energy Commission at the same time that Dulles was head of the CIA?
- Simpson: I don't remember whether there was an exact overlap as to time. Perhaps there was, I don't know.
- Riess: Did Dulles have his eye on McCone for grooming for the CIA?
- Simpson: Not so far as I know. Let's see. Strauss was head of the Atomic Energy Commission preceding McCone, wasn't he [1953-1958]? And then he was appointed Secretary of Commerce and was turned down by the Senate.
- Riess: Strauss comes out of the banking background. Wasn't he Kuhn Loeb also?
- Simpson: Yes.
- Riess: And why does someone with that background become chairman of the Atomic Energy Commission? It seems like a scientist's job.
- Simpson: Well, it became a scientist's job. Glenn Seaborg succeeded McCone.

I suppose there's an argument both ways. In some respects a businessman is good for the qualities that he has; in other respects, a scientist, because he'll know more about what the physicists are talking about. I don't know. I didn't appoint them.

[The following section was added 12/12/78 by Mr. Simpson. Aware that the interviewer was fond of good anecdotes, he volunteered the story below.]

### Two Meetings with Kerensky

Twice in my life I came in contact with Kerensky. The first time was in Paris in 1918, shortly after the October Revolution. I should have mentioned it in "Random Notes," for it is a minor bit of history with a somewhat comical twist.

Kerensky's residence in Paris after his downfall presented a dilemma to the United States and the Allies. If he was going to stage a comeback, as some still hoped, it was important to maintain good relations. On the other hand, if he was really through, he was nothing but a nuisance.

Playing it cautiously, the Americans gave a diplomatic dinner for Kerensky and his entourage at one of the clubs. The guests were seated about eight to a table, and Kerensky was not placed at the table of Mr. Sharp, the American Ambassador, but was seated with Hugh Gibson, a brilliant and influential member of our diplomatic corps and holding ministerial rank.

Kerensky had a member of his entourage on his right, and I sat next to that henchman. So although I knew no Russian, I was able to get a fair idea as to what was going on between the two of them.

Kerensky was sullen and sulky from the start. He obviously inquired as to the whereabouts of the American Ambassador and, when informed, he asked who were at our table. My Russian presumably replied just some minor bureaucrats, which would have fitted me all right. But he was no doubt ignorant of the fact that Hugh Gibson was one of the outstanding younger diplomats and destined for higher things.

However, apparently feeling insulted, Kerensky got up when the soup was served and let it be known that he had a splitting headache and was obliged to go home. Which he did. After his departure my Russian guest and I continued talking in French and I naturally expressed my regret at Mr. Kerensky's illness. He said yes, it was too bad.

I said it was particularly too bad because this dinner had been arranged partly so that he could become acquainted with Mr. Gibson next to whom he had been sitting. He asked, "Who is Mr. Gibson?" I expressed surprise and said that Mr. Gibson had overall diplomatic responsibility, as a direct representative of President Wilson, for all our Embassies and Legations in Europe and in that sense was of unique importance, and that he had been disposed to have a thoroughgoing discussion with Mr. Kerensky as the basis for his report to President Wilson.

There was a basis of truth in what I said, but it lost nothing in the telling. The poor fellow acted as though I had struck him and, foolish man, said, "I don't believe Mr. Kerensky knew that!"

Well, then, a few years ago, at a dinner party here in San Francisco, we adjourned after dinner to a room where there was some sort of entertainment. In shifting around, the guests took places more or less hit or miss, and I found myself seated next to Kerensky. He could not have been a pleasanter companion. He insisted that he remembered me--which was courteous although absurd. But I thought, as I sat there beside that distinguished scholar and gentleman, had he had iron in his soul, might he possibly, just possibly, have changed the history of the world?

J.L.S.

## XI OTHER SCHRODER ORGANIZATIONS

[Interview 10: June 28, 1978]

The New York-London Contacts

Riess: You said that you wanted to pick up the history of Schroder.

Simpson: Yes, and I might summarize the origin of the New York affiliate of the Schroder-London institution. After the First War, when the Schroder people in London realized that the United States was going to play an increasingly important role in international trade, in 1923 they established a relatively small banking corporation in New York to take advantage of this. We were an affiliate of the London house, and a great deal of our business, originally, was derived from clients of Schroder-London.

That meant, naturally, that we needed frequent contacts, and those contacts were partly our trips to England and Europe, and partly visits of the London partners and other members of the concern to New York. Of course, we got a great deal of benefit; we had a big start through the London clients and friends, and our own trips to Europe added to that.

There were two aspects to the London business. One was the commercial business, the short term financing of goods in overseas trade. The other was the investment business, and in that connection Schroder had close contacts and friendships and competitive positions sometimes with other bankers of that sort, so-called "merchant bankers," in England. They were very helpful to us in giving us a start with these foreign connections-- in fact, a little too helpful with regard to Germany and Austria and Central Europe generally.

Riess: As a result of World War I, had they severed connections that then were picked up by the New York branch rather than the English branch?

Simpson: No, I wouldn't say that that's the case. During World War I, they naturally broke off all their connections with enemy clients and, along with everybody else, picked them up after the war.

Riess: A gentleman's agreement?

Simpson: There was no agreement. When they were enemies, they were enemies, and that was that.

Riess: And how is it that they were, as you say, almost too helpful with regard to Germany?

Simpson: Well, because they encouraged us to take on a large amount of German business, which got us into the trouble that I mentioned earlier when the Depression came. \*

But they had a wonderfully kind attitude toward us Americans. They treated us beautifully when we were in London, both in the office and by inviting us weekends.

The bank, in its physical aspect, reminded me just a little bit--not much, but a little bit--of a Dickens scene. The partners sat in a private room. It was a large room, and there were about six partners then, and you went from desk to desk to talk, you didn't raise your voice. We Americans had to learn very quickly that you didn't holler in the private room when you went in.

Riess: And did they dress in morning coats, that sort of formality?

Simpson: Some did and some didn't. They mostly wore ordinary business suits. Some dressed occasionally in black coat and striped trousers. It depended somewhat on the occasion. If one of the partners was on the court--they didn't call it the board, but the court--of the Bank of England, and if he was going to a meeting there, he would probably wear striped trousers.

Riess: So, the rule was not to raise your voice. And how about the language in which you would discuss things? Did it have to be well-chosen terms, or could you be direct?

Simpson: Well, everybody did the best he could. We became a bit Anglicized, and they became a bit Americanized. We got along all right. But whereas they in general believed in us and trusted us, once in a while they did backslide a little in that respect.

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\*See pp. 101ff.



The Fishing Judge

Simpson: I recall one incident which I thought was very amusing in its outcome and it illustrated a slight tinge of, "Oh, of course, after all, they are newcomers." Two of their juniors came over to New York and did a very bad transaction in selling some shares that they represented against a one-year note, with the shares up as collateral security. We were confident that the note was not going to be paid at the end of the year; we'd never have done the transaction ourselves. But these two juniors from London thought they'd like to do a little business and show their ability. The time came when the note was due and it wasn't paid. Of course these young fellows had gone back to London by then, so we and Sullivan & Cromwell were requested to collect this note.

Well, one of our fellows was in London. (I'm going to tell the rest of the story from the London standpoint.) We cabled that the matter was in Sullivan & Cromwell's hands, and they were taking it up with such-and-such court, and the trial would be on such a day at such a place, and the place was Malone, New York.

Riess: Where is Malone?

Simpson: Well, that's what they found out. [Chuckles] Most unfortunately, they had an atlas, and they looked up Malone, and they found that Malone was a little bit of a place with about 300 inhabitants up in the north woods on the Canadian border.

So, they said, "Well, for heaven's sake! These chaps! We really thought they knew something by this time, and they've allowed this case to get in the hands of a country justice of the peace up on the Canadian border, and this is perfectly preposterous!"

They were having a great time deploring the fact that we hadn't learned much about banking after all, and it was time we did. And to anybody who came in they told about this fiasco that was going on in New York.

We replied, "The case is being heard by one of the justices of the Circuit Court of Appeals located in Utica, New York. But this is his vacation time and he has gone to Malone because the fishing there is very good and he is going to fish during his vacation, but has very kindly consented to hear this case."

Simpson: Well, our fellow in London told us they were sitting around the lunch table when the cable came in and they said, "Why, this judge is a fisherman! Of course he's at Malone! There's very good fishing in that area. He must be quite all right."

And when anybody would come in, they'd say, "Oh, have you heard about that judge? Why, he's splendid! He's a fisherman. He's gone to Malone for his fishing and he's so kind as to hear our case for us. So, we need give no further thought to it," and they didn't.

Riess: Oh, what a wonderful English attitude!

Simpson: [Chuckles] So, there'll always be an England.

Riess: But they did more or less think of you as country cousins, then?

Simpson: They did at first, but we got past that point pretty quickly, and later it was quite the opposite. They took us with seriousness.

#### A Little Unpleasantness

Simpson: Now, there is one thing I want to mention. As I've told you, the Schroder background was of immense value. It did cause a little unpleasantness during the war. The Schroder family, like many European families, had relatives all over the map, and the London Schrodgers had quite a number of relatives in Germany.

One of them was a man named Baron Kurt von Schröder. (He spelled his name with an umlaut, which we had omitted in New York.) This fellow, who always was a disagreeable man, even before the Nazis were ever heard of, became a Nazi and got publicity because he introduced Hitler to von Papen. Some irresponsible publication referred to this, which, of course, was news, and mentioned the "Anglo-German-American banking firm" and linked Kurt von Schröder up with Schroder-London and Schroder-New York.

Those things have a way of getting picked up, and this was picked up over here by a sensational paper at that time called P.M.

Riess: But it was not picked up by the more responsible papers?

Simpson: No. [Pauses to think] Well, I don't know. What are responsible papers? The Times. I don't think the Times mentioned it, but Time magazine had a mention of it.

Simpson: But that got passed around by word of mouth then and caused us a little chagrin, let's say.

Riess: Did it mean that people pulled some of their business away?

Simpson: No, I don't believe so. As a matter of fact, it did mean that when it came to resuming business ties with Germany we were probably one of the last rather than the first in New York to resume German financing.

Riess: In the effort to bend over backwards?

Simpson: Yes. Responsible people who knew the picture, of course, knew there was nothing in it. But it had been kicked around just enough so that we didn't think we'd be the first ones to resume German financing. I just thought I'd mention that.

#### English Country Weekends

Riess: You say the English entertained you when you were over there. Did that mean the wonderful English country weekends that one hears about?

Simpson: Yes. Yes, it really was a great pleasure.

Riess: Like sideboards covered with good things for breakfast, and then walks on the estate? Describe an English country weekend.

Simpson: Well, you've read about them in books.

Riess: So, it was just like in the books?

Simpson: Very much like that. The breakfast was on a buffet. You helped yourself. There were many things. And, yes, there were walks. I recall the first time that I was in England for a weekend to one of the partners', (Grete was not with me. I think she had gone to Vienna to see her family.) I'd heard that this was a beautiful house, and it was, indeed--a Georgian-type house with the interior decoration by Adam.

The principal guest bedroom was hand-painted, Chinese, and it was noted by those other than the partners with whom we talked in the office that that was a very special room and a very special dignity to be lodged in it.

Simpson: So, I went out on Friday afternoon with Major Pam, the partner, and we were met at the door by the butler. Pam said, "Take Mr. Simpson's bag up."

"The hall room, Sir?"

And Pam said, "No. The Chinese room." So then I knew I'd arrived.

Riess: How wonderful to know that you had arrived.

Simpson: Every morning the butler came in with tea and shaving water because, while the house was beautiful, it didn't have the plumbing that we are accustomed to. He was so dignified and so stiff and formal that he rather overpowered me, and I thought, "He thinks, 'This green American, what does he know about things?'"

He would come in with the tea and the water, and pick up my clothes and shoes, and take them out and brush them and polish them, and then one morning he started to go through his usual routine but paused and turned to me and said, "I beg your pardon, Sir. Do you suppose that shares in the New York market will ever recover their former highs?" [Chuckles] I knew that he'd been speculating.

But they were fine, wonderful people, courageous, honorable, and this was illustrated to me in dramatic fashion by two visits to the Pam house. On the occasion described above I was taken on a tour of the house and the premises and was told something of their history. What was intensely interesting was the account of how the house had been run as a convalescent home for wounded soldiers during the First World War. All the beautiful trappings that could be stored away were removed and the whole place was filled with beds and nursing equipment.

Mrs. Pam, at that time a young middle-aged woman, ran the whole thing with the aid of a staff of nurses. I have forgotten how many beds there were, but every room was utilized to its full capacity.

Mrs. Pam said she had accepted only privates and non-coms, since she had better control than she would have had with officers. There was practically no damage done to the beautiful rooms.

The whole thing seemed like a phantasy as they related it, a dream of the dim and distant past.

Simpson: Then in 1943, when I went to Italy with the Allied Control Commission, I had another opportunity to visit the Pams. Henry Grady very kindly arranged for me to depart for home a few days ahead of his party in order that I might see my friends in London.

I was invited on that occasion to spend the night at the Pams' home, and what did I find? The house had again been converted into a nursing home, exactly as during the First War. Mrs. Pam, despite her advanced years, once more ran the whole thing and repeated the arduous undertaking under much greater difficulty and danger.

It was like reliving the past and also like witnessing firsthand the qualities that make England what it is.

#### Schrotrust, Schrorock

Riess: I have a question more about Schroder. How do the names Schrotrust and Schrorock relate to Schroder and Schrobanco?

Simpson: Yes, I should mention the creation and existence of those organizations.

J. Henry Schroder Banking Corporation was, as the name indicates, a banking corporation, limited in some respects and with very broad powers in other respects. It could accept bills, create bills of exchange, in excess of those of a regular bank. On the other hand, it was restricted in the acceptance of deposits. It couldn't take deposits at all. And that was a very suitable kind of charter to have for its original business, which was originally intended to be the financing of commodities and materials in overseas trade.

But we wanted to have a place where deposits could be taken and where trust functions could be performed, and therefore Schroder Trust Company was formed in 1930 as a subsidiary, kind of minor adjunct. Whereas J. Henry Schroder Banking Corporation was oriented especially towards foreign business, Schroder Trust Company was oriented towards domestic business. That was one. Schrotrust.

The other, Schroder Rockefeller, was a result of the New Deal legislation prohibiting commercial banks from being affiliated with securities companies. That was a sad blow to the New York banks because they all had their security affiliates and did

Simpson: underwriting business. (In London they called it issues business, which we adopted, but the American term is really "underwriting.")

The firm of Morgan took one of the Morgan partners and divorced him entirely from J.P. Morgan & Company. He was wealthy in his own right and he formed a firm called Morgan-Stanley. Stanley was a securities man, very well known in Wall Street, very highly regarded, and a man of means himself, so they formed Morgan-Stanley, which then was and now is an investment banking concern.

We decided we'd like to do the same thing. But when it came to forming it, we had to give it a name. Stanley was quite a well known man in financial New York, and Morgan-Stanley was quite an impressive name. We had some able vice-presidents, but we didn't have anybody of the stature of Stanley or Joe Ripley, who went in with Harriman in a similar deal.

I had what I thought was a bright idea. Avery Rockefeller, who is a cousin of John D.--there are three Rockefeller families, you know.

Riess: Yes.

Simpson: Old John D. had a brother and he had two sons, so there are three lines. Avery is in one of those lines. And he was a young officer in one of our departments.

Riess: In one of the departments of Schroder?

Simpson: Yes. So I said, "Why don't we get Avery to move over to this new company and become a stockholder and director, and call it Schroder Rockefeller? What's the matter with that?"

I first sprang it on Allen Dulles. I said, "That would be good, wouldn't it, Allen?"

He said, "Almost too good."

I said, "Allen, not 'almost too good,' it's good." And the upshot of it was that we formed the investment company and named it Schroder Rockefeller.

Riess: And did Avery take over or was he only a name?

Simpson: Oh, he didn't want to be president and he didn't want to take the lead but he was very active in the company and I think he liked it a lot. (As a matter of fact, he's today one of my very best friends.) And it worked out fine from a personnel standpoint.

Simpson: We were not able to do everything we had hoped the company would do because New York passed some restrictive laws which were even stiffer than the federal. And Sullivan & Cromwell told us that we really were not divorced quite enough and we were risking if we did the underwriting business in this vehicle, we had not broken the link sufficiently. But the company did other private financing, investing its own funds, and acted as financial adviser to several companies, and altogether it had a very successful career.

Avery withdrew two or three years ago on account of his age and retirement. He didn't want to leave the name, so it's changed its name now to Schroder Capital Corporation. But for several decades it got started with a strong double name and was able to make its place in the scheme of things, and it's getting along very well now.

Riess: Nobody hinted that that was an unfair capitalization on a name that had bigger implications than Avery?

Simpson: No. Why should anybody complain?

Riess: I don't know. Maybe some member of the Rockefeller family would--

Simpson: I'm sure he wouldn't have done it if they had.

Riess: So, he would have reviewed that idea with his family?

Simpson: No doubt. He would not have done it if he'd felt that it was going to create an unpleasantness in the family. You must remember that "Schroder" itself is a top name in London.

#### Nearly a Good Thing: Polaroid Venture

Riess: And also under the umbrella of Schroder in our talk here, you have noted Carl Fuller.

Simpson: Carl Fuller was a vice-president of Schroder--Schrobanco, as we called it, the bank--and president of Schroder Rockefeller. He in some way or other came into contact with Edwin Land, who had a brilliant idea: the idea was to lick the automobile headlight glare by the use of Polaroid, in which he was an expert.

The way you licked the headlight glare was to have two Polaroid screens, one that lies this way, and the other one lying that way [gestures to indicate two different directions]. You put the screen with one direction of lines on the headlight and the other on the windshield of the oncoming car.

Simpson: The result would be that these two screens crossed each other, as it were, and in your car you would see from the oncoming car two red blurs, which were the headlights, but no glare. And, on the other hand, the illumination of the road by your own headlights would be unimpaired.

Well, that looked like a blessing, didn't it?

Riess: It certainly did.

Simpson: We all went up to the Grand Central Exhibition Room in the attic of Grand Central and there they had two automobiles, and we got in and looked at the blur in the other car, and we realized that we had a bonanza. We put some money in it.

Kuhn Loeb and Schroder Rockefeller were the bankers and they went to England, and the English got very interested. But then funny things began to happen because of what we call the "crown" of the road--the English call it the "camber"--they found these light rays weren't crossing at right angles. And so there was a defect there. And also you were going to need a stronger generator to generate more light.

Riess: Then what?

Simpson: For one reason and another nothing ever came of the brilliant idea for which Polaroid was created by Land and financed by Kuhn Loeb and Schroder Rockefeller. The headlight project proved an utter fiasco and the company barely hovered in existence for years on end. The stock became almost worthless and many stockholders sold their shares to take tax losses.

Then one of those quirks of fortune occurred, which sometimes transform a business picture. Polaroid began making instant cameras. The rest of the story is common knowledge. From being a despised "dog," Polaroid became a market leader. Those who were foresighted enough--or lucky enough--to have held their shares made enormous profits. While the stock behaves erratically in the market, Polaroid has taken its place as the chief competitor of Eastman Kodak in the photographic field.



## XII BECHTEL

Bechtel Notes

Riess: During World War II you took some time away from Schroder and came back to help the Bechtel Corporation. How did that come about?

Simpson: That came about, first of all, because Grete and I made a visit out here really as a vacation and, of course, saw Steve and Laura [Bechtel]. Steve and others showed us around the ship-building [Marinship], which was going full tilt. It inspired enthusiasm. You could see they were doing a whale of a job, a very big job, in a field in which they had not had direct experience. Before we left Steve said, "Why won't you take leave from Schroder and come out and get into this thing?"

I said, "Well, I don't know why. I'm not an engineer."

"Oh," he said, "we have plenty of engineers. But you've had broad experience and the very fact that you are different makes it interesting."

At this point I should say something about Steve Bechtel, because there's a saying that a construction company is the "lengthened shadow of a man," and if ever that was true, it was true in this case.

Steve Bechtel's father, Warren A. Bechtel, was a fine man and had a construction company which did, very competently, medium-size construction jobs. He had a great break with the Hoover Dam, and he died in 1933. There were three sons. All three had grown up in the business. Steve was the second in age. Steve's younger brother, Kenneth, participated in the construction business and was head of the wartime shipyard in Sausalito. Ken Bechtel headed Marinship, the shipbuilding operation in Sausalito which was one of Bechtel's important contributions to the war

Simpson: effort. But he devoted his main attention to insurance in his capacity as director, president, and chairman of Industrial Indemnity Company. I was on the Board of Industrial Indemnity for several years.

Warren, the elder brother, retired from the business at the end of World War II in order to devote himself to ranching.

I think the reason for Steve's great success, if you had to sum it up briefly, was that he had great vision and, unlike most visionaries, he had the capacity to put it into effect. If somebody said, "Can you sum up Steve Bechtel's success in a few words?", I would say that would just about do it.

Steve Bechtel must have got out of his crib determined to do something active and important. First, there was W.A. Bechtel & Company, which was a construction company, but Steve said, "Why don't we add engineering to construction and be a construction and engineering company instead of just a construction company?" And that's where he brought in John McCone, and why he brought in John McCone.

And then there were the two companies: W.A. Bechtel & Company, and Bechtel-McCone Corporation.

Riess: He kept the W.A. Bechtel name. Was that because it had such a good reputation?

Simpson: Yes, and because war contracts had been taken in that name.

Riess: From my reading about the philosophies and intentions of the Bechtel Corporation, there always was a distinction between providing goods and providing services, and it seems that they were more oriented to providing services.

Simpson: Absolutely!

Riess: And when was that first articulated?

Simpson: I think it was there from the beginning. And that was the great difference between--this comes a little later--the Bechtel development and the Kaiser development. Steve Bechtel was determined to concentrate on service and to avoid fixed investments.

Riess: Where did he get that instinct?

Simpson: I think he grew up with it. You see, by confining the activities to service, it was not necessary to borrow any money except for current turnover use, current bank loans. There was no incentive

Simpson: or reason for issuing public bonds, for instance, as Kaiser did, or in any way becoming heavily engaged in debt. And that was a very strong point with Steve.

Riess: This formula of providing services and leaving other people to manage the goods--has that been argued time and time again in the company, or has it always been accepted?

Simpson: Oh, the principle has not been departed from. They have more recently taken an interest in some buildings. So perhaps one must say that in later years, recently, that principle has not been 100 percent adhered to, but it still is a basic principle. The Bechtel Corporation--or the various companies in the Bechtel group--are essentially service organizations; they do things for other people.

Now another of Steve's big visions was not only to do engineering and construction, but do the planning and organizing of a project from the ground up.

Riess: What does that mean?

Simpson: It means that instead of some company figuring out that it wants a certain kind of a structure and then engaging Bechtel to do the engineering and construction, that the client will tell what he generally has in mind to accomplish and Bechtel will plan the whole thing to realize the objective the client wants. They use the word "grassroots" a great deal.

So first came construction, and then engineering and construction, and then--I'm trying to think of just the right word--well, let's say and then planning, engineering and construction.

His philosophy is: "Tell us your problem, and we'll endeavor to give you the answer." And he's been so successful at that that companies such as the oil and chemical companies and utilities are glad to do it that way because they get good results. Nothing works except success, you know, and if these moves on Steve's part had not been successful, it would not have continued.

Riess: That's where the major effort has been, with oil and chemical companies?

Simpson: Also utilities.

- Simpson: Another instance that I should mention of the vision and the application is nuclear [development]. Steve sensed immediately that the nuclear development was going to change the utility industry.
- Riess: You mean immediately postwar?
- Simpson: Well, not so long after the war, not too long. I don't know just when.
- Riess: On an issue like the nuclear issue, with his vision, which might have been in advance of the visions of the boards of directors of the utility companies, would he initiate it?
- Simpson: I'm talking rather from the outside looking in, but from what I know it was very cooperative. The utility managers and the Bechtel people were talking together about it.
- Riess: Members of the Bechtel Corporation would be on the boards of the various utility companies so that there would be constant contact?
- Simpson: Oh, I don't think so at all. A Bechtel member on a utility board would have a divided interest. I don't see how it would be possible.
- Riess: You've mentioned Kaiser's differing development. From the beginning was Kaiser competing with Bechtel?
- Simpson: Well, they competed, but really their directions were so different that there was not very sharp competition. During the war there was plenty of work for all of them. After the war Kaiser went his way with accumulating huge debt and going into steel, aluminum, and cement.

### Two Companies

- Riess: Did Steve Bechtel have a financial consultant before you came on?
- Simpson: He had some very good financial people, and this was one of my points. I said, "You have excellent financial people." The two who were outstanding were Bob Bridges, who was a lawyer but extremely good at finance, and an accountant named George Walling.

And he said, "Yes, that's right, and you would work with them, of course, but you've had a broader geographical experience." He was even then looking forward to foreign work after the war and he thought I might have something to contribute in that respect.

Riess: During the war they were looking ahead to the peacetime activities?

Simpson: Yes.

Riess: And you had been advising on that kind of growth?

Simpson: Well, I ask myself, "What did I really do?" But there always seemed to be innumerable things which came up that we discussed. Bridges, Walling, and I talked together a great deal.

Riess: You said you had had a role in the reorganization of the company after the war. I'd like to hear about that.

Simpson: Well, after the war there had to be a new look, of course, and several approaches were made to this reorganization and the people who would be involved. I accompanied John McCone and, I guess, Steve, to New York to talk corporate matters with Sullivan & Cromwell. And the upshot was that John McCone went off on his own, and Warren Bechtel retired, and Steve Bechtel, with the association and the assistance of Kenneth, functioned with the new company called Bechtel Corporation.

Riess: I see. Why were there two separate companies, the Bechtel-McCone and the W.A. Bechtel?

Simpson: I suppose that was largely to give John McCone a large enough role to enlist his cooperation. Furthermore, it may have been convenient to have two companies. Bechtel-McCone Corporation operated, I think, twelve or fourteen ways in Los Angeles.

Riess: Twelve or fourteen ways?

Simpson: Where you build a ship is a way.

Riess: Oh! McCone had his own successful engineering business up until then?

Simpson: No, I don't think so. But Steve had known him well. They'd been approximately the same time in college, in Berkeley.

Riess: When this Bechtel reorganization was completed, John McCone went on his way. Was that an unhappy split?

Simpson: No. Very friendly. John had a company that he had a major interest in, which did very well, and he soon became deeply involved in government affairs.

Simpson: He and Tom Finletter wrote a memorandum pointing out the dangers to us as a nation if we fell behind in the nuclear development. And then John, I think, became assistant secretary of air [1950-1951], and then Atomic Energy and CIA.

Riess: That's interesting. I wonder why he got into those jobs. I mean, this was not business any more; this was patriotism or something like that?

Simpson: Patriotism and ambition, the two combined. I am a great believer in mixed motives. I think lots of things are done partly for ambition and partly for the general good. [See Churchill's "Life of Marlborough." J.L.S.]

#### The Committee on World Economic Practices

Riess: Was Steve Bechtel ever offered government positions?

Simpson: Yes. He was offered a job in Washington in--I've forgotten the name. [Pauses to think] Well, it was one of the economic organizations. And he made me go to Washington with him because at that time--though it seems odd now, with Steve in the tremendous position that he occupies--at that time I knew more people in Washington than he did.

I did go with him. It was Ferdinand Eberstadt who offered him the job. But it would have been a very foolish thing for him to accept it, because Steve was not made to work in the Washington bureaucracy. It would have been a terrible fiasco.

Riess: And then later on was he ever offered any major posts?

Simpson: Well, he's been on various panels, temporary panels, you know, and special panels, and that sort of thing. In fact, I was going to tell you something about a committee that I got mixed up in, the Committee on World Economic Practices.

Riess: Oh, yes. That was a government committee?

Simpson: No. It was a top-level businessmen's committee. [Hands document to interviewer.\*]

Riess: This is a list of the members and the advisors. I see. It has Steve Bechtel on it. [Reads names of other committee members and advisors.] That's a very top-level committee. What did it do? Was it convened by Eisenhower?

Simpson: No. I don't know who in the government originated it, but Harold Boeschstein was the chairman of the committee and the moving force. The idea was to get a group of top-level businessmen and figure out ways and means to combat Russia on the trade level.

Riess: What was our position vis-à-vis Russia at the time?

Simpson: We were on pretty competitive and not very good terms.

I was in Washington because Harold Boeschstein had asked me to look into one particular organization called the Development Loan Fund; he thought there were far too many different organizations handing out foreign aid, and would I take a good look at that one?

Riess: Now, what did you find when you looked into that?

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\*Report of the Committee on World Economic Practices, January 22, 1959. 17 pp.

Committee members:

Harold Boeschstein, President, Owens-Corning Fiberglass Corp.  
 Henry C. Alexander, Chairman, J.P. Morgan & Co.  
 S.C. Allyn, Chairman, National Cash Register Co.  
 S.D. Bechtel, President, Bechtel Corp.  
 R. Gwin Follis, Chairman, Standard Oil Co. of California  
 Eugene Holman, Chairman, Standard Oil Co. of New Jersey  
 Philip D. Reed, Chairman, Finance Committee, General Electric Co.  
 Frank Stanton, President, Columbia Broadcasting System  
 A. Thomas Taylor, Chairman, International Packers, Ltd.

Advisors:

W.R. Herod, President, International General Electric Co.  
 John B. Hollister, Partner, Taft, Stettinius & Hollister  
 Herbert Hoover, Jr.  
 Theodore V. Houser, Chairman (retired), Sears Roebuck & Co.  
 John L. Simpson, Chairman, Finance Committee, Bechtel Corp.  
 Juan T. Trippe, President, Pan American World Airways, Inc.  
 Leo D. Welch, Vice President, Standard Oil Co. of New Jersey  
 Frederick M. Eaton (Counsel), Shearman & Sterling & Wright

Simpson: I found I had another job.

This panel, the Committee on World Economic Practices, was in existence and had been holding meetings for a year or so and had not produced any report. So I pitched in to have a look at this Development Loan Fund and concluded that it was superfluous and ought to be merged with something else, and there were too many different organizations.

Then I was invited to attend the meetings of the entire panel and one afternoon, after the adjournment of the meeting, Steve Bechtel and Harold Boeschstein got hold of me and said they wanted to have a private talk. So we stepped into another room and they said, "John, you've got to write the report for the committee."

"I write the report for the committee? You must be out of your minds! You've got a drafting committee here of three of these top-level people in the country."

They said, "Yes, that's just it. They're at top level and they can't agree and we can't get a report out."

"Well," I said, "this is certainly the kiss of death. If I'm to undertake to write a report for this group of men, you might just as well take me and throw me down the drain right now, because that will be the finish of me."

They said, "Well, you've got to do it anyway. We'll give you all the help you want. You can have as many as you want help you."

I said, "That will certainly put the kiss of death on it; if I have to have a lot of help, then I am sunk."

They said, "What do you mean?"

I said, "Well, give me Mike Forrestal and Abe Katz and nobody else and maybe we'll at least have a try at it." (Mike Forrestal is James Forrestal's son.)

Riess: How did you pick these two names?

Simpson: Because I had seen something of them. We were all milling around here in these various inquiries. This was under the Eisenhower-Nixon-Anderson regime. Anderson was Secretary of the Treasury. They were all close to these businessmen, you see, so the businessmen were called in to advise and help them out.



Riess: I had asked you whether this was convened by Eisenhower, but you said really that essentially it was Boeschstein who took it on his own.

Simpson: Oh, [Douglas] Dillon was in the State Department also and they were all on very friendly terms, in the government, and the business heads.

Riess: Who were the three who would never ever agree?

Simpson: I knew you were going to ask me that. I don't think I'll tell you.

Riess: How can disagreement be a bad thing?

Simpson: Well, the panel couldn't submit a report.

Riess: But I mean there's nothing wrong with going down in history as somebody who couldn't agree.

Simpson: Yes, but, you see, they wanted to give President Eisenhower a report signed by these nine men, and if they could not agree on anything, they couldn't sign the report. What I saw was that I was being asked to do what apparently was the impossible thing, namely get something that they would all agree upon.

I saw that I couldn't refuse. And, as I say, I had seen quite a bit of these two young men, Mike Forrestal, who was then a young fellow (he isn't so young now), and Abe Katz. You couldn't find two fellows with more different backgrounds, but both of them were wonderful young men and the three of us worked together fine.

Riess: How did you attack the problem?

Simpson: I said, "The trouble with these men has been that each one has wanted to write his own report, and that meant that they couldn't possibly ever get together. Now, what we will try to do, if we can, is to write the committee's report. We must take all the minutes of all the meetings they've had over the past year and a half, and then all the special memoranda that different individuals have written, and we must pore over all this material. And we'll hold interim meetings wherever we can discuss it and see whether out of it all we can get something that the panel will agree upon."

And, believe it or not, we did. It took about six weeks. We were first in Washington for two or three weeks, and then we moved to New York, and we actually did get a report which, as you see, is not very long.

Riess: Yes, I was thinking it was a model of brevity.

Simpson: President Eisenhower said, "This is wonderful. I can read this myself."

And everybody agreed, with one exception. That was Henry Alexander, who was certainly one of the ablest men there, the head of [J.P.] Morgan. He was for doing something much more radical, for making a clean sweep: "Abolish everything in the way of foreign aid, every vestige of it, and then start with one new thing." He stuck to that.

At one of the last meetings they discussed it and at a certain point Steve Bechtel said, "John, what do you think?"

"Oh," I said, "no, no. I don't think. I don't think at all. I'm a staff man putting down what you people think and trying to reconcile your views so that you can get something that you all agree to."

"No," they said, "that's right in principle, but you've been in this thing deeper than almost anybody, and we want you to express your view."

So I said, "Well, in principle I think Henry Alexander is right, but to do that would take legislation, and there's not a chance in the world of this administration getting legislation to that effect, at least not in time, but they can do certain things by administrative order. And while I agree with Henry as to what really ought to be done, I think that I agree with the rest of you as to what in the circumstances is the wisest way to take advantage of such improvement as we can."

Riess: You certainly demonstrated that you were a good politician in that statement.

Simpson: The report was finished and submitted. And I think the only thing that happened was that this thing that I had originally been sent to study, this Development Loan Fund, was abolished. But unfortunately all this--I said to Mike Forrestal, "Mike, we may not have written the best piece of literature, but we've certainly written the most expensive." [Chuckles] If you figured the rate of remuneration per hour of these corporate heads, and the number of hours they put in on this, I think the cost per word, considering the fact that we did a rather short report, was fantastic! [Laughter]

But there was, from my standpoint, a very pleasant aspect. I expected that this was going to cause so much rumpus and so much disagreement that nothing I could produce would really satisfy them. But instead, those men could not have been more appreciative. They were perfectly marvelous.

Simpson: You see, I got them a report!

Riess: You rescued them. You surely did!

Simpson: [Laughter] They were about to end up, after about a year and a half, with many motions and no report!

Riess: Do you think this is the history of most of these gold-ribbon committees that are pulled together?

Simpson: I do, I do.

Well, that was really part of my Bechtel experience, because it was Steve Bechtel who got me into it.

Riess: And our discussion of it came out of my asking whether Steve Bechtel had participated in government service. So that's one time that he had.

When John McCone departed, was there ever another really strong figure in the firm or was it Steve from then on?

Simpson: Well, the business expanded greatly, and the organization expanded greatly, and obviously there were some strong men. But the next really important thing, really important thing, was the growth and development of Steve, Jr.

Now, Steve, Jr. started at the very bottom rung. He took his wife and baby out on something like a camper--I don't know if they had campers then, but anyway, something like that--and worked on pipelining under a man named Van Rosendahl, who was a very able man, one of the ablest. And Steve, Jr. from then on developed and gradually went up through the ranks. He wasn't pushed ahead of his capacities at all, but he was a tremendous worker.

There always was a lot of discussion about organization and that's one thing that I participated in. We got one of Steve, Jr.'s professors from Stanford Business School in for occasional consultation. But no important changes were made at that time.

Riess: Do you think that since we only have about ten minutes left this might be a time to break, since I'm sure we'll need more than ten minutes to finish this topic?

Simpson: You mean sign off for the day?

Riess: Yes. I don't mean to be abrupt in any way, but--

Simpson: No, I think you're right. It's getting around 1:00. We've been at it for two hours.

W.A. Bechtel, Sr.

[Interview 11: July 27, 1978]

Riess: Was the Six Companies arrangement to build Hoover Dam pulled together by W.A. Bechtel, Sr.?

Simpson: He played one of the leading roles, but I wouldn't say he dominated it. They were all able men, Bechtel, Kaiser, Morrison and others, but not widely known.

Grete and I then [1933] lived in New York. W.A. Bechtel was coming through New York on his way to Russia and we invited him to dinner. We knew him not well at all, but he accepted and he said he had a friend traveling with him; he wondered whether it would be an imposition if he brought him along. And we said, "Not at all. We'd be delighted, of course." And that was Henry J. Kaiser, who at that moment meant no more to us than a friend of W.A. Bechtel.

Sadly enough, Mr. Bechtel died on that trip. He died in Russia.

Riess: Oh, yes, he was going to see some engineering project there, some dam, I think.

Did you keep up the Kaiser acquaintance?

Simpson: No, not then.

The Six Companies group bid a fixed price for the job, which was very dangerous, and then two things happened: one, the Depression drove the cost of materials way down; and, secondly, it was the lowest water in the Colorado River in a long time. So, they had wonderful natural conditions in their favor and cheap materials.

Riess: The company histories note the risk that W.A. Bechtel was taking in this; he really could have lost the whole business on that enterprise.

Simpson: That may be.

Steve Bechtel, Sr., Daring and Caution

Riess: I was starting to ask you earlier, about the sense of adventure and comradeship and "men making their mark" in the Bechtel companies. Do you think that there's been a lot of risk-taking by Bechtel since then?

Simpson: No, not a great deal of risk-taking. There's been great enterprise and energy. But Bechtel, in its development and expansion, has been very successful in limiting risks by [pauses]--what's the expression that I want?--by cost-plus contracts rather than fixed-price. Steve Bechtel has been very cautious. Daring as he has been in taking on big projects and grappling with the forces of nature and man, he has been extremely cautious with regard to financial exposure.

And, incidentally, when I say that a construction company is the "lengthened shadow of a man," that man is Steve Bechtel, Sr. You can't say that the whole thing was the result of the power and force of W.A. Bechtel; he was really a successful businessman. But the man who dreamed great dreams and then woke up and put them into effect was Steve Bechtel.

Riess: To get back to the issue of risk-taking, two things that came out of my reading were the basic reluctance to risk indebtedness, and also the system of keeping the company ownership in the hands of the few.

Simpson: Yes, I said a while ago they were very successful in not assuming the financial liability for the projects but arranging payment terms such that usually the customer bore the financial burden.

And yes, they had a fixed policy of close ownership of the stock, mainly by the family, and otherwise by people active in the business.

Riess: What I wondered was whether these policies limited the enterprises they might have taken on.

Simpson: I don't think so. The proof of the pudding is in the eating. And you said, "Why was it possible?" Performance. The key word is "performance." They established a splendid record of performing well and on time, and thereby were able to negotiate favorable financial terms.

Divisional Organization

Simpson: The Bechtel organization was a very loose one. It was based on divisions. The divisions reflected the industries with which the company was dealing. There was the refinery division, and the power division, and the industrial division, and the pipeline division.

These divisions were, of course, under the command and control of Steve Bechtel, who was originally president and later chairman. But they had a great deal of independence, and there was no very well organized central power except Steve. For instance, George Colley was a marvelous fellow and he was for quite a long time in charge of the Middle East work, which was the beginning of the refinery and pipeline developments in the Middle East. George and I were very good friends and we were talking about this very question.

I said, "Well, George, you know these divisions are kingdoms. You've got an empire here, and the empire consists of some kingdoms; the heads of the divisions are little kings."

George said, "Am I a little king, John?" And I said, "Certainly, you are." He laughed.

George was a delightful fellow and a wonderful man. He was killed by a militant mob in Iraq.

Riess: Did the division organization work well? It might be that it would be more logical to organize by areas, or by projects?

Simpson: Yes, there was a great deal of discussion about the type of organization. Another possibility would be to organize by type of activity, that is to say: construction division, engineering division, administrative division, and so on.

Steve, Jr., who had been to Stanford Business School, was quite close to Paul Holden, one of his professors there. Steve, Jr. participated in getting Paul Holden up on several occasions to investigate this very question. In the end it seemed that the system of division by type of activity was really the answer.

And now that the divisions have given place to companies-- as you know, there are three companies now in the Bechtel group, Bechtel Power Corporation; Bechtel, Inc.; and Bechtel Corporation-- the basic differentiation is still type of work, type of subject.

Riess: What are Bechtel, Inc., and Bechtel Corporation?

- Simpson: Well, they're names selected to designate three companies, because they have found it, as they believe, advantageous to split up what is now the vast collection of enterprises into three separate units. They all have presidents, and Steve, Jr. is chairman of all of them.
- Riess: I am struck by how important it was for the company to keep dealing with organizational matters. It seems like shuffling a pack of cards. But you're saying that it's an essential issue, that you can't get things done until you've got your organization sorted out.
- Simpson: That's right.
- Riess: Is that because of matters of power? Various personalities need to be able to sort of consolidate their own power?
- Simpson: Yes, there's a certain amount of that. There was in the past, and I suppose, human beings being what they are, there probably is now. But it is mainly a matter of efficient operation.
- Riess: When you came in was about at the same time that Steve, Jr. and Paul Holden had worked on this new organization by divisions?
- Simpson: The organization by divisions was not new; on the contrary, it was traditional. After discussion with Steve, Jr. and Paul Holden, I came to the conclusion that there probably would be no important changes until a new generation came along.
- I think, although I'm really not the best person to talk about this because I've been away from it far too long, I think that by breaking it up into three major segments and actually having presidents of them, they have succeeded in smoothing out the relationships better than if they had half a dozen divisions all on more or less the same level.
- Riess: Do you think that the more people that you can have at the top of an organization, the better?
- Simpson: Well, in an organization which is growing and which is extremely dynamic, you must be developing personnel, and I think the Bechtel Corporation did recognize that. Both Steves recognized that and did a very good job of bringing personnel along. And they've paid a lot of attention to it especially in the latter time. They've had a psychologist holding group meetings and trying to explain to them the best ways of dealing with subordinates, that sort of thing. What's his name? John Turner.
- Riess: I'm interested to hear that they would use the ideas of industrial psychology.
- Simpson: Yes. Oh, they've been by no means negligent of that.

Research, and Current Concerns

- Simpson: One of the traditions that was established early and maintained was the development of technology. In one of the company histories there was an overenthusiastic chapter heading: "Tomorrow's Technology Applied Today." They gave me the draft to read and I sent it back with a note saying, "That is what the New Yorker would certainly call the neatest trick of the week."
- Riess: [Laughter] Yes. Is that a division, research and technology and development? How does that fit into the structure?
- Simpson: Well, it fits in in each one of these categories.
- Riess: There is a research department within each?
- Simpson: A research group, perhaps not a department. But they're doing research.
- Riess: Do they have government support in this, or is it financed totally from the company?
- Simpson: Well, Steve Bechtel has always emphasized the desirability of private work, but, on the other hand, has responded to government calls when the occasion demanded. But the preferential emphasis has been and is on private work.
- Riess: I was thinking very specifically of research work which the government often sponsors, certainly at universities and places like that, pure research.
- Simpson: I don't imagine that they're doing much, if any, pure research. After all, their job is to apply and produce. I'm not really in a position to talk about that. I don't know anything about it.
- Riess: What has Steve, Sr.'s stand been, in the years you've known him, on the environmental impact issues?
- Simpson: Frankly, I never discussed it with him.
- Riess: It just never would be likely to come up, or you're not interested?
- Simpson: Oh, I'm interested.
- Riess: So many people in this day and age in America really think that a lot of such development as Bechtel engages in should be brought to a screeching halt.



- Simpson: I think that the answer is that the controversies occur between clients, or prospective clients, and the public. Bechtel really doesn't get into the controversial aspects of it; the controversy is settled one way or the other before their turn comes.
- Riess: Yes. And that brings up a point. I haven't really known how many projects I should be associating with the Bechtel name. Is there a deliberate low profile?
- Simpson: There had been in general a low profile policy. That is becoming less possible to follow, but Bechtel has traditionally not sought publicity.
- Riess: In fact I hadn't realized that every time I come into San Francisco and head up here to see you I'm passing some new Bechtel corporate buildings that are going up downtown.
- Simpson: And there was a rather unpleasant article about that in the [San Francisco] Chronicle the other day [July 24, 1978]. (Of course, I personally think the whole modern development in business architecture is--I don't like it at all--New York, San Francisco, anywhere. I don't care for the Bank of America Building. I don't think it has anything to do with Bechtel; I think it's just the wave of the present and probably of the future.)

#### Organizational Function of Finance Committee

- Simpson: You asked me for some examples of specific duties and activities of the Finance Committee?
- Riess: Yes.
- Simpson: Before the committee was established it was not entirely clear as to what officers could obligate the company, and for what amounts. People were signing contracts, and though there was never any difficulty, as far as I know, we realized that that was something which should be corrected, and the board established a scale of the amounts which officers of different ranks were authorized to commit for. That's the kind of thing the Finance Committee did.\*

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\*Members: S.D. Bechtel, Jr., R.L. Bridges, W.E. Waste, J.L. Simpson, Chairman, (R.D. Grammater, Secretary, but not a member).

Simpson: The committee also made suggestions tending to simplify and regularize the board meetings' agenda. I was pleased at the last board meeting that I attended as a director--I did attend some later as a visitor--when one of my fellow directors said a few very nice things about me, and I guess the principal one was that he said, "John has brought something in the way of order and regularity of procedures that we didn't have before, and we must remember that he brought that to us." Coming from a fellow director, it was a compliment that I appreciated.

Although it was a corporation in the formal sense, the tradition of the conduct of affairs bore traces of a family partnership.

For instance, the monthly financial report. Everybody who had an idea about something that he might like to see in the report turned his idea in. This had caused an accumulation over the years and you had a report a couple of inches thick with the likelihood that nobody was going to read it. The Finance Committee tried to get out a report which would be simple and brief enough so that it would be read.

There's something else that I would like to mention in this connection. There had been no provision whatsoever for retirement benefits, and Steve Bechtel told me that he wanted me to take that question and develop or get developed some kind of profit sharing to produce retirement benefits, and the Finance Committee did that and brought it into effect.

Granted, we had some difficulty because there had been a tradition that the construction business had not been a very reliable one. There had been lots of failures in the past and some of the directors were fearful of anything that smacked of the nature of a pension. But, of course, profit sharing is not a pension, and time after time I had to explain that we were merely committing a portion of the profits to retirement benefits and that it wasn't a fixed obligation as a pension is. And to the people who were working with me on it I said, "I don't want to ever hear the word 'pension.'"

We finally got it over and put it into effect as Bechtel Trust. Later on they formed another one in addition, Bechtel Thrift, to which the employees contribute as well as the corporation, and so on. I consider that one of the constructive things which Steve Bechtel asked me specifically to do and which the Finance Committee and I did.

Riess: This recapitalization which you have listed here--

Simpson: That was a recapitalization of technical and complicated legal procedure, legal tax procedure, which permitted the bringing in of new stockholders on a profitable basis to them, an opportunity to buy stock at a low figure, because that has been one of the policies to make it possible for comers to acquire stock at a low enough figure so that they would benefit.

Riess: All of these things sound like they were absolutely essential. It was amazing that they had gotten along without a retirement plan.

Simpson: It was because it was like Topsy, it grew. You see, it wasn't made out of whole cloth; it developed and grew. And therefore these oddities were rather natural.

Now, what have I mentioned here? [Looking down at outline]

Riess: We've talked about retirement, recapitalization, and streamlining the financial report.

Simpson: Steve, Jr. at that time was at the operating level and for a considerable time he was with the pipeline division and very interested in it. But also, from his Stanford Business School experience, he had a sense of organization. And his membership on the Finance Committee, which held meetings at fairly frequent intervals (maybe once a month or perhaps a little oftener), was, I think, a good opportunity for him to start participating in running the company while he was still out putting some pipe in the ground.

#### Lines of Credit, Dun and Bradstreet

Riess: Would you go on with the changes in your term as chairman of the Finance Committee.

Simpson: There had been no bank lines of credit. The company did not want to use credit and had not needed it. But I felt that we should have some lines of credit with our principal banks, even though we didn't use them, as a safeguard and a backlog. So we did establish lines of credit--I've forgotten how much--with the three principal banks. And that was done at the instigation of the Finance Committee.

Riess: And that was just in the nature of making it a sound business.

Simpson: Yes. It was kind of an insurance that in case you did need some credit you wouldn't have to go and broach it as a new subject, you had the line established.

Also, the question of supplying information. Everybody wanted to know what the balance sheet looked like. Dun & Bradstreet is a service which collects financial information from all companies in which there's any interest and then supplies that information for a fee to its customers. Its customers are people who--a bank or some other organization which, for its own business reasons, would like to know about the financial status of such-and-such a company. We had not given any figures to Dun & Bradstreet. There had been no occasion for it.

They came and said, "You were obliged by law in--" (I think Massachusetts, or some state in the East) "--to supply certain information, and you've done so, and it's very fragmentary. Inasmuch as this is the only information on Bechtel Corporation that we have, this is what we're going to hand out."

That seemed to me very unfortunate. I talked it over with Steve and said, "We're up against it. We're going to be shot at now from Dun & Bradstreet. Hadn't we better decide what we don't mind giving out--there's considerable information we don't mind giving out--and give it to them in an orderly fashion?" He agreed, and that meant the board agreed.

So I set up a procedure by which we took the Dun & Bradstreet form and filled in as much of it as we thought appropriate and suitable. We did not give the earnings. We did give a balance sheet. And that satisfied them and pleased them very much, and the practice was established. I hope it's going on still.

There were a number of things like that, you see, of a specific nature. I am a little fuzzy trying to remember things that had happened a long time ago of a general nature, such as centralizing--what does that mean? But these things that I've noted were quite specific things and of some order of magnitude.

Riess: Why did Bechtel not want to disclose profits?

Simpson: It is a privately owned organization and most people in private businesses don't care about disclosing their exact profits to others or the public.

Riess: What are the consequences? Is it a question of the government looking at the thing?

Simpson: No. There's no secrecy as far as the government is concerned. [Pauses] Well, I suppose, in negotiating contracts it's more advantageous that your counter party is not aware of exactly how much money you've made on other contracts. I think it's a matter in the general category of trade secrets.

Riess: Is it a tradition of other private corporations not to disclose their profits?

Simpson: Yes. I remember the Banking Act of the early New Deal, when private banks were forced to reveal their earnings. Baron Bruno Schroder, head of Schroder London, said, "Think of Jack Morgan being obliged to produce his balance sheet!" He considered it an outrage. People who have private enterprises feel that--[pauses]

Riess: That that's an invasion of their privacy? Unconstitutional, maybe? I'm trying to get into the mind of a big businessman. [Laughter]

Simpson: Well, I don't know quite how to express it [pauses], but business people in general feel that the less the public and outsiders know about the entire inner workings and profitability of the business, the better off they are. And I think that is generally true.

Riess: In your notes of responsibilities and activities you say [quoting from Mr. Simpson's notes]: "Special financial studies, such as analyses of results over past periods and currently." Is that the same as a profitability study?

Simpson: Well, in the same general category.

Riess: And did things come to light that, when they were subjected to analysis, changed the operation of the business?

Simpson: I don't think I can answer that because I don't remember enough.

Riess: [Quoting from Mr. Simpson's notes] "Volumes and trends."

Simpson: That's in this same category.

Riess: "The internal and external audit." Had that not been done before?

Simpson: No. Internal, but not external.

Riess: "Acquisition of new interests, companies or firms."

Simpson: Well, they didn't have any big merger, but they did acquire a few firms, mainly to get the personnel. Where there was a fellow who was particularly good, they felt, in some special field, they might make a deal with him to acquire his company and him.

Steve, Sr., The Last Word

- Simpson: I enjoyed very much indeed my relations with Steve, Jr. in this Finance Committee connection--in all connections, as far as that's concerned. I thought he added a great deal to the Committee and that he was getting something out of it himself, as I say, because while he was still pipelining he was dealing with the general policies of the company in a more intimate way than he could have as a member of the board, because we could sit and discuss for an hour or two any particular matter that we thought was especially important or interesting.
- Riess: And what would happen on the board that would preclude that possibility?
- Simpson: Oh, more people and more of a regular agenda.
- Riess: You said earlier that if Steve, Sr. agreed to something that that would mean that the board would agree. Were you implying that it was kind of a rubber-stamp board?
- Simpson: No question that Steve led the company, but that still left lots of room for decisions on many things. There were lots of things for discussion--technical matters and policy matters--where Steve would want the advice of all of the others.
- Riess: So, it wasn't a matter of disagreement. It was a matter of areas of expertise.
- Simpson: Yes. I didn't mean to say that the board was a rubber stamp. It wasn't at all. There were many things that the board discussed and decided. Let me say this. I don't think they decided many things against Steve's will. But that still left plenty of room for constructive reporting and discussion.
- Riess: Were there major discussions about undertakings and whether to take them on? Steve would take on everything?
- Simpson: Oh, not necessarily, not necessarily. Steve is a businessman.
- Riess: Was there a pattern of things that were turned down?
- Simpson: No, I don't know of any pattern.
- Riess: I mean, types of things that he had some distaste for.
- Simpson: I think each thing was judged on its merits. In some cases the demerits outweighed the merits and they didn't do it, but I don't think there was any pattern.

Riess: Would there be countries that he would care not to deal with?

Simpson: [Pauses] Put it the other way: Were there countries that he was especially interested to deal with? And in that case there were. Canada was one. Saudi Arabia was one.

Riess: He had a long acquaintance with King Faisal, was it?

Simpson: Yes. He had and has very close acquaintanceship with the Saudis.

Riess: And so that was the Middle Eastern country that he was most interested in dealing with.

Simpson: Well, that was the one that had the most opportunity.

Riess: In your other notes you included "High-level contacts." Certainly in your years with Schroder you met fascinating people. What were you referring to at Bechtel?

Simpson: I wasn't thinking so much of myself at that point. I was thinking that that was the general policy of Steve Bechtel. He was very alert to high-level contacts and extremely good at cultivating them.

Riess: Kings and foreign ministers?

Simpson: And in the Business Council in Washington.

Riess: Oh. And what value would that have for him, the Business Council?

Simpson: Contacts with important men, heads of companies. You have that list, the panel of the World Economic Practices Committee.

Riess: Yes, right. That certainly was high-level. He certainly didn't need more business, though.

Simpson: Oh, yes! You always--

Riess: You always need more business?

Simpson: Well, you see, this is entirely different from manufacturing harvesters. This business--you're always working yourself out of a job. You always have to put new business on the books or pretty soon, no matter how prosperous you are, you'll be out of work. The construction business is entirely different from the manufacturing business in that respect.

Riess: And so for a period there Steve was the big salesman.

Simpson: Well, he still is.

Even though Steve, Jr. runs the company now (there's no question about that), he is chairman--"companies," I should say, it's a group of companies now--even though Steve, Jr. is the executive head of the business, Steve, Sr. still plays a very important role by making the rounds and maintaining contact with his old friends.

His qualities, already described, make him almost unique.

Riess: There's no competition, really, for the Bechtel companies, is there? There's never been anything like it.

Simpson: Oh, yes. Oh, yes.

Riess: I've never heard of them. I've only heard of Bechtel, despite its low profile. [Laughter]

Simpson: Williams, Fluor, Stone & Webster, Kellogg. Oh, yes, there's a lot of competition.

Riess: And, in fact, every job is bid?

Simpson: Or negotiated.

Riess: Or negotiated? Those people, though, that he knows personally or shakes hands with don't put the job out to bid. They just have Bechtel, don't they?

Simpson: Well, Bechtel tries to have it that way. They don't always succeed.

"By John L. Simpson"

[Interview 12: August 3, 1978]

Riess: I have this paper which you gave me, "Some Impressions of the Middle East." Now, it was when you were working for Bechtel that you would have been traveling in that area?

Simpson: Yes. I made a trip to Aden. They were building the refinery at Aden. You remember Mossadegh? He'd closed down the Abadan refinery, and British Petroleum was having Bechtel do a crash job of building a refinery at Aden, and I went out to visit with them for a couple of days.



Simpson: They built this refinery absolutely from what they called grassroots--there wasn't a thing there--about twenty miles from the city of Aden. They had to do everything. They had to provide water, roads, living quarters, mess halls, a power plant, miles of pipe, storage tanks, a hospital, religious facilities, a mortuary, sewage disposal--as well as the refinery itself. It was very interesting to me, a layman.

And to some group here--the World Affairs Council, I guess, yes--I gave this paper. But there's been so much written and said before and after on the Middle East by people much more authoritative than I.

Riess: And in 1960 you had been asked by the combined American Society of Electrical and Mechanical Engineers to give a talk?

Simpson: Yes. They didn't select the topic, just "a talk."

Riess: I see. I'm interested that your paper on the dollar was presented to that group.\* I would think that it would be a topic for bank managers, but I'm surprised at engineers.

Simpson: Well, they didn't select the topic.

Riess: You think they understood what they were being told?

Simpson: They asked some very intelligent questions, some of which I couldn't answer. Oh, they could understand it all right. You see, we were just beginning to run deficits. As somebody said of Napoleon, "The first cloud came from Spain," the first cloud on the horizon.

This paper was then reprinted, you see, by the bank, of which I was still a director.

Riess: Yes. [Reading from paper] "During recent months, increasing consideration has been given to our international balance of payments. Mr. John L. Simpson, Finance Chairman of the Bechtel Corporation and a director of our bank, gave a talk a few weeks ago which we believe was an unusually clear exposition of this subject. We have therefore obtained his permission to make the following reprint of his remarks available to you."

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\*"Competition on the World Front, International Trade and Payments and the Position of the Dollar," a talk presented to the American Association of Electrical Engineers and the American Association of Mechanical Engineers, San Francisco, Sept. 13, 1960. See Appendices.

Simpson: It was very early in the period which now has developed into a major problem. It was inconceivable at that time that the dollar could be impaired, only they were imposing heavily on the dollar. As Fred Searles, my assistant, said a couple of months later, "Well, you certainly hit the jackpot with that paper of yours because now everybody is beginning to talk about it."

W.B. Wriston, who was an officer of the First National City Bank, and subsequently chairman of it, had done an excellent paper. I wouldn't have tackled the subject if I'd known how well he had handled it. I think the First National City [Bank] must have distributed Wriston's paper widely and they had many clients. Schroder's published, I think, two or three hundred.

Bechtel Associates, New York

Riess: Could I ask you to explain how Bechtel Associates made its way into engineering in New York? [Referring to a discussion following Interview 11]

Simpson: Well, the Bechtel organization wished to practice engineering in New York and needed to. But there was a difficulty, because under New York state laws a corporation could not practice engineering; it had to be a partnership. And the partnership had to bear the name of an engineer licensed to practice in New York. Efforts were made to acquire one of the rare corporations with grandfather rights which still permitted them to practice, but those efforts failed. The result was that a partnership was formed, without the Bechtel name in it.

Riess: What was it called?

Simpson: George S. Colley, Jr. & Associates. Well, that was all right as far as partnership was concerned, but it was not very impressive as far as Bechtel was concerned, and a great deal of thought and effort were given to ways and means of conquering and overcoming this obstacle.

Steve, Jr., having graduated from college, married, with a child, was working in the pipeline division, and was intensely interested in it and anxious to proceed at the operating level. But somebody--I don't know who first had the idea; it's possible that it was I, but I'm not at all certain--suggested that if Steve, Jr. would go to New York, sit down for two or three months or whatever and refresh himself on his college engineering, and

Simpson: pass the New York State engineering examination, he would be admitted to practice in New York. That would solve the problem, because then in New York a practicing engineer would be one of the partners, and his name would be Bechtel, and it could be named Bechtel Associates.

Well, Steve, Jr., at the outset, was very indisposed to do this because it interrupted the thing that he wanted very much to do, which was to be on a job. He loved that. He traveled around wherever the job took him with his wife and baby.

I took a very strong line that that was the solution, that thereby you had an absolutely clean-cut situation, no if's, and's, or but's: a Bechtel in a partnership, a Bechtel being a qualified engineer. I don't think at that time I was at the height of popularity with Steve, Jr., but in the end he realized the importance of it and he went to New York.

It took several months. The examinations were evidently very severe and graduate engineers get busy on certain practical things they're working on and they get a little rusty. So it did require several months' preparation. But he did it and, of course, he passed the examination and became an engineer in New York State.

Riess: And then did he have to stay on the job there?

Simpson: No, no, not at all.

Riess: It just had to be in name only.

Simpson: The partnership became named Bechtel Associates and retains that name. Now, that solved the problem at the time. The situation is a little different now and the name of the entity now is Bechtel Associates Professional Corporation, which reflects a liberalization of the New York law, that there may be a corporation, but the corporation's members must still be qualified engineers.

Riess: I see. Did you have anything to do with getting any of those laws changed?

Simpson: No.

Riess: And were there other incidents in which that pattern then had to be repeated, other states?

Simpson: No, not that I know of.

Riess: What actually prompted Steve Bechtel, Jr.'s elevation in the firm? I know you said that he worked with you on the Finance Committee and that gave him a lot of insight into workings, but was there an event?

Simpson: No, there was no particular event. He progressed in the organization just as others who were not Bechtels progressed. He worked under Van Rosendahl, who was a very able man, and he learned a lot of a practical nature and was promoted in normal course.

### The Mother Jones Issue

Riess: Mr. Simpson, since our last interview, on August 3rd, an article about Bechtel Corporation has come out in the magazine Mother Jones.\* We talked a little by phone about this piece and about Bechtel's response. And now, given two months to let it become "history," I'd like your answer to a few related questions for the oral history.

What is your reaction to the line about "the mysterious figure of John Simpson" and accompanying innuendos about your ties with OSS and access to military information during WW II?

Simpson: I can answer briefly and categorically the reference to me. I was indeed, as mentioned, a close friend of Allen Dulles and his family. I never in any way, directly or indirectly, had anything to do with any relations between Allen Dulles, or the CIA, and the Bechtel organization. I have no knowledge whatsoever on this subject.

You have in hand a statement issued by the Bechtel organization on August 17, 1978, which explains my joining that organization.\*\*

Inasmuch as the Bechtel organization has made its position clear and since I have had no official connection with Bechtel since 1973, it would be inappropriate for me to comment further on the subject. [Subsequent questions unanswered. S.B.R.]

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\*"The Bechtel File," How the Master Builders Protect Their Beach-heads, by Mark Dowie, Mother Jones, Sept./Oct. 1978, pp. 29-38.

\*\*"fyi" For Your Information, Bechtel Response to Mother Jones Article, Vol. 4, No. 7, August 17, 1978. [See Appendices]

## XIII SOCIAL GROUPS

The Disputers

Riess: Today we were planning to review the history of The Disputers.\*

Simpson: The Disputers started because three of us, who happened to be Californians, had lunch together and started talking about world events. Somebody told a good story, we had a good time, and we decided to have another lunch, just for fun, not because we were Californians but because we had a good time. The names of the three were Henry Breck, Clare Torrey, and John Simpson. And the original group was called the California Luncheon Group.

Riess: Who was Henry Breck?

Simpson: Henry Breck was a classmate and an investment banker, at that time with J. & W. Seligman, and later one of the directors and managers of Tri-Continental Corporation.

In planning to have another lunch or two, or I don't suppose at that time we even thought of a lunch or two, another lunch, we thought since we were all down here in Wall Street--this was the Depression and things were very grim--"Why don't we get Turk Mills down to lunch? He's outside this whirligig of Wall Street that we're in and he may give us a little different view."

Turk Mills (Frederick C. Mills), an old friend, was a professor of economics at Columbia and he was also on the staff of the National Bureau of Economic Research, which was a prestigious economic institute headed by Wesley C. Mitchell,

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\*See Appendices for a brief history of the group written by John L. Simpson and Allan Sproul.

Simpson: one of the outstanding economists in the country. We had another luncheon and included Mills, and again we had a very good time.

Allan Sproul had come from the Federal Reserve Bank in San Francisco to the Federal Reserve Bank in New York, and we thought it would be well to include him. This expansion of the group was partly because we were Californians, but partly because we were friends and knew each other and might have done it in Cincinnati, if not in New York.

Riess: Yes. But at that point, then, it was obvious that it was Californians and you didn't ask any New Yorkers to join.

Simpson: No. But we asked a New Englander to join. John Williams was an economist at the Federal Reserve Bank, and we actually said, "We ought to take the curse off this and not be all Californians. Let's ask John Williams to join." And we did, and he joined. So we always had a leaven of non-California.

Riess: Allan Sproul was unanimously elected to the office of scribe. When did it occur to you that there was going to be something happening worth having a scribe for?

Simpson: Well, we started betting, and that's the most interesting, amusing, and important aspect of the whole thing. We started betting on all sorts of things. I suppose we probably first started betting on financial things--the stock market, interest rates, and the gross national product. And we established the rule--about the only rule we ever had--that a bet should be a dollar bet, and that anybody could bet on anything he liked, provided he'd back it with a dollar.

Riess: A dollar to what?

Simpson: Oh, there could be odds. In fact, I said in this memorandum that you've read, or Allan Sproul said in one of his notes, that I bet a dollar to a hundred dollars that Henry Kaiser would be the next president of the United States [laughter], which was a big laugh, of course.

Riess: [Laughter] Yes!

Simpson: So, while it was Californian and was referred to in New York as the California Luncheon Group, it was not chauvinistically Californian. We got together not because we were unhappy about New York--on the contrary, we all belonged to different clubs and things in New York--but because we were old friends mostly, and because we were congenial as individuals.

Riess: I like the phrase that you have here [quoting from Mr. Simpson's paper]: "The field of disagreement was unlimited." Of course you were old friends, and I wonder if basically you were people who were in agreement, or were the politics and the thinking actually as far apart as to really warrant some of these bets? Was this a group of Republicans, in essence?

Simpson: I don't know. I don't know whether Turk Mills was a Republican. Possibly not. The academics were not so unanimously Republican, as you know.

Riess: The quality of the disagreement was obviously not disagreeable.

Simpson: We bet to win. Nobody bet according to his liking. You bet to win. It was very important to win that dollar and not lose it. We were much more interested in having a good score of winning dollars than we were in advocating a cause--Republican, Democrat, or what have you.

Riess: I see. So, the person you were betting on for President might very well be the person who you were voting against.

Simpson: Yes.

Riess: Well, it's certainly an interesting series of bets that were recorded by Allan Sproul. Is this only a fraction of them?

Simpson: Oh, yes. Only a fraction.

Riess: I notice that the second item that he includes in this "list of events in the long and disorderly life of the luncheon group" is the women who had come to the meetings.

Simpson: Yes. That, perhaps, is not quite clear. I think Clare Boothe Luce came twice, and I know Eleanor Dulles came once. I think those were the only times women were there at the luncheons.

Riess: How and why?

Simpson: No particular reason. Somebody said, "I think maybe I could get Clare Luce to come." (I think she'd been in the Far East.) We all said, "Fine." There was no formal set of rules.

Riess: You liked to have a guest each time you met?

Simpson: Well, we couldn't each time, but we were glad when there was somebody available, especially people from abroad.

Simpson: Lord [John Maynard] Keynes was the guest twice and he participated in the pools. We had pools on the stock averages. And he each time was high man. (When I say pools on the averages, that is to say a guess as to what the average would be at a certain time ahead.)

Keynes was high man in this each time and, of course, he lost each time. And he said a very interesting thing. He said, "You know, I sometimes am right in my judgments." (As a matter of fact, he oftentimes was.) "But," he said, "very often I am too fast in my timing, and I'm ahead of events in my timing." I thought that was very interesting.

Riess: That is interesting.

Simpson: Then there was a sort of a ridiculous bet by Torrey, who liked to make those, "That one year from today the country would be in a hell of a mess." [Laughter]

Professor Ohlin, a Swedish economist, was a guest at the luncheon one year later when that bet was decided. He decided that Torrey lost his bet because the United States was filled with rape, rapine, murders, midgets on J.P. Morgan's laps in the Senate hearing [chuckles], and all that was perfectly normal, and the country was not in a hell of a mess.

Riess: And did the bets basically relate to the informed conversation at lunch, to the subject of the day?

Simpson: No, no. It was very informal and very sort of wild and woolly.

I bet Don McLaughlin a hundred dollars to one that there would not be an earthquake before midnight. And, I must say, I was kind of glad to see the hands of the clock pass twelve that night, because I would have felt an awful fool if I had lost a hundred dollars.

Riess: When someone like Keynes or Clare Boothe Luce came did the group then really focus on them? The discussion was in their area?

Simpson: Well, they certainly focussed on Clare Boothe Luce. They all were on their best behavior, both politely and intellectually. Everyone was anxious to make a good impression on Clare Boothe Luce.

Riess: Do you think that your group was known around New York and that there was some curiosity after many years of doing this?



Simpson: I'll tell you, there was a great desire on the part of quite a number of people to get into it. It had not a wide reputation, of course, but those who knew what was going on realized what a good time we were having.

There were a number of people who would have liked to join, people who would have been fine members. We felt that it had to be very small or it would lose its character, because the danger would be that it would break up into individual conversations between two here and two there, and we wanted it to be a general conversation. We carried on that tradition here in San Francisco too. For the same reason, a round table was much better than an oblong table.

There were several people who hinted that they would like to join, and maybe it would have been all right, but we didn't want any more than--if we had seven or eight members, we'd have about six at a lunch, and that was a good number.

I always thought that if people who were not members of the group thought that it was so good and so interesting, why didn't they form one themselves? All we had was three or four fellows getting together for lunch and inviting a couple more. Why couldn't anybody do that?

Riess: When you look back at the group in New York, did they have something that you would say was uniquely Californian?

Simpson: It may be merely because I am different than I was in my youth, when I thought the University of California was practically the entire world and Stanford was something very much less, but I think the development of transportation and communication has greatly changed that idea. Think how many people now have their children go to school in the east, and how many people in the east have their children come out here. There's much more interchange now throughout the country, I think.

The telephone--think of what telephoning across the continent meant when I was young. Well, now I pick up my telephone and think nothing of it and ring up somebody in Greenwich or New York, and the fact that the fellow I'm talking to went to Yale and I went to the University of California is of no particular importance. I think the local chauvinism has been greatly diluted by the modern means of communication and transportation.

Riess: I liked Wesley C. Mitchell's statement, when he was an honorary member, that, "All professors of economics should be required to back their opinions with bets. It would lead to less loose academic talk." [Laughter]

Simpson: He was very good company. At that time he was, I suppose, the outstanding economist in the country on the business cycle, which was his specialty. He seemed to enjoy the time or two when we invited him, so we told him we considered him an honorary member. He didn't have to give any lunch, but he was an honorary member, and he liked that.

Riess: Did everybody have a different club?

Simpson: Well, I had a club, the Century Club, but I held my luncheons in the Recess Club, which is a downtown luncheon club. The only lunches which were held in the Century were Mills's; he was a member of the Century Club and he held his lunches there and we met uptown. Breck's firm had a kitchen and dining room and he held his in his place of business. Allan Sproul held his at the dining room of the Federal Reserve Bank.

Riess: I see. Was there a University of California Alumni Club group in New York?

Simpson: No, I don't think there's a California club in New York. I've never--I'm sure I would have known it if there was one.

Riess: Now, from your notes, and from Loyall McLaren's interview,\* and from a conversation we had with Horace Albright, who was a member, there are some other names here that came up. Maybe you can tell me a little bit about them. Paul Penoyer?

Simpson: Paul Penoyer was a member, but like Horace Albright rather late in the game. The New York group dwindled in the course of time. After all, this is a very long time; it's a half a century, you know.

Riess: Indeed, yes.

Simpson: Paul Penoyer was not in at the beginning, but at some stage of the game he was invited and was a member, and a very fine and good member too. But he was a member at the time when the interest in New York was somewhat dying down.

Riess: You mean the interest in continuing the group?

Simpson: Yes. People had moved away and some died, and a few new members were taken in, like Paul Penoyer, but it was losing ground and interest.

---

\*N. Loyall McLaren, Business and Club Life in San Francisco, Regional Oral History Office, University of California, Berkeley, 1978.

Riess: This is in the '40s or early '50s?

Simpson: The '50s, I would say.

When Allan Sproul and I moved out here, there were then very few left in the New York group, and they weren't holding meetings regularly, and it was obviously petering out. And Allan said to me, "Why don't we try to revive the California Luncheon Group here?"

I said, "Well, Allan, I don't know. Usually those things just happen and it's very difficult to recreate."

"Well," he said, "let's have a try at it. We've got Don [McLaughlin] here and there are several Californians."

Riess: How did you decide, since you were really now in home territory, who you wanted in the group out here?

Simpson: There were certain Californians who were ever-welcome guests when they came to New York. Loyall McLaren was one of those, [along with] Marshall Madison and Nelson Hackett. So, either Allan or I or both of us got hold of Don, and we three were the nucleus, and then we told Loyall McLaren and Marshall Madison about it. Marshall Madison was very enthusiastic about the idea. And so there we had five, you see, and then we chose one or two others and it caught on here with great enthusiasm.

Ken Monteagle--you wouldn't have thought that he would be particularly interested in a thing like that, but he was, tremendously.

Riess: Who was he?

Simpson: Kenneth Monteagle. The Monteagles are a rather well known San Francisco family.

Riess: How about Morris Doyle?

Simpson: He's a lawyer, head of the McCutcheon firm.

Riess: And he was a regular?

Simpson: Yes, he was part of the newly formed group here, and a very good one. He was a marvelous storyteller.

Riess: Bob Sproul? [Robert Gordon Sproul]

Simpson: Bob Sproul was an accepted guest in New York always. But I don't know--

- Riess: Did he join the group when it was out here?
- Simpson: I don't quite remember. I don't remember him as being very much--  
[Pauses to think] Yes, he did! Yes, he joined the group here.  
Yes, I do remember now. He had his lunches at the Family Club.
- Riess: Dudley Cates?
- Simpson: Dudley Cates was an insurance man, a Californian.
- Riess: And he was part of the group out here, or the New York group?
- Simpson: The New York group. He died.
- Riess: Oh, I see. Then there is a note about a man who was a telephone company president, class of 1910, but no name.
- Simpson: I've forgotten his name. Don [McLaughlin] would know his name. I'll ask Don if he recalls his name. [Carl Whitmore. J.L.S.]
- Riess: Wallace Sterling came as a guest or as a member?
- Simpson: He became a member and a very fine one, a marvelous storyteller.
- Riess: Did you have an initiation period when people were required to show their stuff?
- Simpson: We had no rules whatsoever, a strong no-rules rule.

When the students were having their uprising in the '60s one of our old friends, whose name I shan't mention, who was not a member of the group but a good friend, devised a statement which he wished to issue widely, and thought would quell the uprising. He needed a little money to finance this in order to give it wide distribution and, having been a guest at one of our lunches, he suggested that this group might be a suitable source of funds, and he was turned down vociferously.

"This group doesn't do anything as a group." It's independence personified. Everybody's got a different opinion from everybody else, and nobody's interested in anyone's opinion unless he'll back it with a dollar.

So we did not contribute for the publication of this paper, and I'm sure it would not have done a bit of good if we had.

---

The lines following were written by Nelson Hackett in acceptance of John Simpson's invitation to what was to be The Disputers Last Luncheon, September 8, 1977.

TELEPHONE AREA 415 547-5364

66 LINCOLN AVENUE

PIEDMONT, CALIFORNIA 94611

Mr. Hackett's Confirmation of his  
 Acceptance of Mrs. Simpson's kind invitation  
 to the Trifurca Luncheon on September 8, 1977.

We're on our way! We're on our way  
 To the Trifurca's closing day! --  
 Dispersing ere a Fate unkind  
 May make us halt, or deaf, or blind.  
 Now while inflation  
 Rocked the Nation,  
 Accountant, lawyer, banker, scholar  
 Thought it sport to risk a dollar.  
 Allan Sproul was the Bookmaker  
 Strict and honest as a Quaker  
 While Don's face was still quite sunny  
 Raking in that folding money!

Now our happiest times abate  
 Here beside the Golden Gate!  
 At old P-U seek not to page us  
 For we're in Heaven -- or -- far beyond!

WALLACE MACGREGOR

P. O. BOX 66  
TIBURON, CALIFORNIA 94920  
TEL. (415) 435-2961

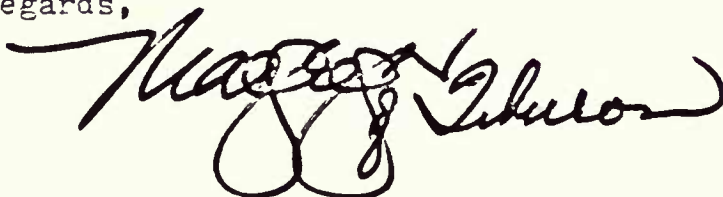
August 4, 1978

Dear John:

Herewith, unvarnished by titular baubles,  
is the roster of the Isle of Aves:

Brent M. Abel  
C. Julian Bartlett  
Robert J. Drewes  
John E. Du Pont  
Lyman Henry  
Roger W. Heyns  
Charles J. Hitch  
Warren R. Howell  
Wallace Macgregor  
Dean E. McHenry  
Donald H. McLaughlin  
Richard H. Peterson  
Kenneth S. Pitzer  
Alvin J. Rockwell  
John L. Simpson  
Willis S. Slusser  
Charles H. Townes  
Caspar W. Weinberger

Warm regards,

A handwritten signature in black ink, appearing to read "Wallace Macgregor". The signature is fluid and cursive, with a large, stylized initial 'W' and 'M'.

Mr. John L. Simpson  
1100 Sacramento Street  
San Francisco

Isle of Aves\*

- Riess: On the subject of clubs, had you been a member of the Bohemian and the Pacific Union when you were in New York, or was that a move that you made when you came back here?
- Simpson: I had been a member of the Bohemian Club for, I think, about ten years before I moved here--a non-resident member--and of the Pacific Union Club for two or three years.
- Riess: Why did you join the Bohemian Club ten years before you were going to use it?
- Simpson: Oh, in my case it was the camp and encampment, because the Bohemian Club consists, you know, of about 125 individual camps, and the camps are really little clubs within the great Bohemian Club.
- Riess: And they choose their own members?
- Simpson: Oh, yes. I was invited by Bob Sproul as a guest at his camp one summer, and attended as a guest. Then they told me that there was a rule that you could not invite the same person two years in succession and not more than three times altogether; but they felt sure I could join the Bohemian Club (at that time the waiting time was short, now it's forever), and they would like me to join the camp if I joined the club.
- Well, the camp now is about twenty--at that time, fewer than that, maybe twelve. Most of the camp members were old friends from college days. So, there's no question that I joined the Bohemian Club for the companionship of my friends in that camp. If I hadn't been invited to join the camp, I wouldn't have joined the club.
- Riess: There are some club members who don't have a camp association?
- Simpson: Yes. There's a club camp; it's a general camp.
- Riess: And then you came out to the encampment each year?
- Simpson: Most years. Sometimes I was in Europe.
- Riess: Was there some political discussion that took place in your camp, or was it really a vacation with entertainment?
- Simpson: Mostly that. The mood is not very political. And also it depends somewhat on the camp. Some are mostly for fun, and some are a little more serious, perhaps.

---

\*Roster on page preceding.

Riess: You swore off seriousness in the California Luncheon Group, and the Disputers.

Simpson: Well, in the California Luncheon Group, and the Disputers, some part of the lunch was usually devoted to a really serious discussion of economic and political matters.

Riess: I would be interested in who the members were of your Bohemian Club camp.

Simpson: And I will get that for you. [A complete camp history, The Pleasant Isle of Aves, by co-historiographers John L. Simpson and Chaffee E. Hall, written in January 1964 and updated to 1974, has been given to The Bancroft Library by John Simpson.]



## FROM A BOOKPLATE TO A BOOK'S END

Riess: When we first met we looked at the bookplate in the beginning of Random Notes.\* I would like you to tell me again who designed it, and how that design was decided on, and what it means to you.

Simpson: It was designed by an artist in Vienna whose name I do not recall. It was my wife, who was not then my wife, who arranged to have it made for me as a bookplate. And what was the third?

Riess: What did it symbolize?

Simpson: That's what Ted Meyer, the regent, asked me. I said, "Ted, I'm very sorry you flunked your Rorschach test because that represents a little man looking at a very great and complicated world."

Riess: And Grete put that idea in the artist's mind?

Simpson: Yes, yes.

Riess: And have you used that throughout your library?

Simpson: No.

Riess: No? Because you don't put bookplates in anyway?

Simpson: Yes. Well, I am glad to make some use of it. I'll be happy that it did serve a purpose, because although practically nobody understands what it means, I do, and it gives me a little satisfaction.

I have a little incident that I think would be suitable as the wind up. Are we at that point?

Riess: Yes.

---

\*See Random Notes in Appendices.

Simpson: After I retired from Bechtel Corporation, for the next ten years Grete and I made trips to--well, we made a trip to Japan, but what I particularly have in mind is that we made trips to Europe, I think in ten successive years, and visited different countries, but always spending at least a month or more in Vienna, for two reasons: my wife's brother and his family were there, and also the music festival.

We always stayed at the Imperial Hotel, which I think must be one of the very best hotels in the world. I've stayed in quite a number and I never saw anything to beat the Imperial, in every way. And we always had the same room, Number 8, which was reserved for us from one year to another. And we came to know all the personnel from the manager down to the smallest bellboy.

The last time we were there I think was '70. When we were leaving I had a terrible feeling that we would not be back. Grete's brother was very ill then and died shortly thereafter, and Grete wasn't well and didn't really get much out of that last stay in Vienna. So, it was all rather emotional when I went around the day before and told them all goodbye, a lot of kissing of the maids and so on.

Then, the next morning, we packed up and went downstairs, and the car was there, and we loaded it up and were ready to go to the plane. Just then the manager came out--although I had called on him and told him goodbye the day before--he came out and he had somebody with him.

"Mr. and Mrs. Simpson," he said, "I want to introduce the Chief of Police, who is visiting me. He was making a call on me and I knew he'd want to meet you and tell you goodbye, as I do."

I said, "Well, that's very courteous, indeed," and we spoke and said last words and shook hands. Then Grete and I took off.

It was the only time I was ever ushered out of a city by the Chief of Police in person!

~ END ~

Transcriber: Marilyn White  
Final Typist: Keiko Sugimoto

JOHN L. SIMPSON  
1100 SACRAMENTO STREET  
SAN FRANCISCO, CALIFORNIA  
94108

May 24, 1979

Mrs. Suzanne B. Riess  
The Bancroft Library  
University of California  
Berkeley, California 94720

Dear Mrs. Riess:

In our interviews for our Oral History I was guided by events and happenings rather than by personalities. This meant that while in many cases names occurred in association with the narrative, this was not always the case. For instance, Laura Bechtel, who has been a mainstay of Steve Bechtel throughout his career, was scarcely mentioned.

A glaring defect of omission is the case of my secretary, Marie A. Thomson. Mrs. Thomson has been with me for over 50 years, first in New York and later in San Francisco. She moved her home from the East to the West to remain in her secretarial capacity and adjusted her whole life to accommodate me.

Mrs. Thomson is of a high degree of ability and is an "executive secretary" in the best sense of the term. Her handling of office duties and my business and personal affairs has been as efficient as her relations with clients and acquaintances have been tactful and friendly.

Certainly a half century of such loyalty and support deserves and has my deep appreciation. I regret that this was not mentioned in the text of the Oral History and hope that this letter will, to some degree, make amends.

You have told me that it would be possible to include this letter in, or attach it to, the copy of the History which is lodged in The Bancroft Library, and I shall very much appreciate that being arranged.

With many thanks again for all your own kindnesses,

Sincerely,

*John Simpson*

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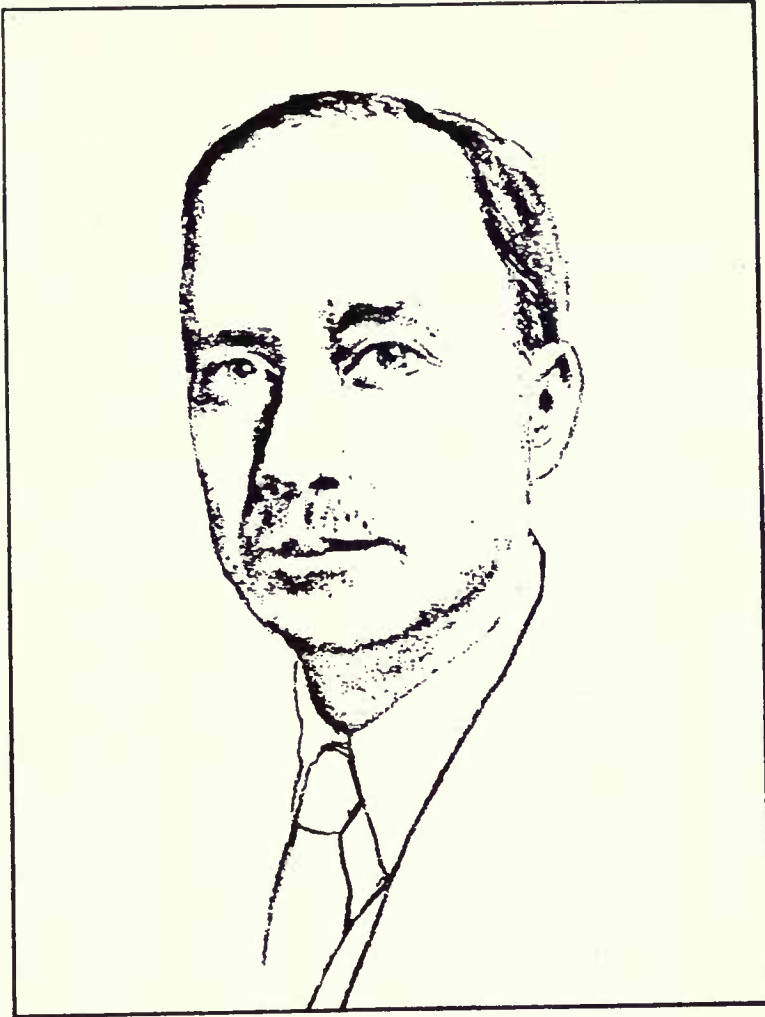
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John L. Simpson and Laura Bechtel at the  
Simpson Oral History Presentation at  
University House, 2/22/79





John L. Simpson

T H E R E G E N T S O F T H E U N I V E R S I T Y O F C A L I F O R N I A

I N R E C O G N I T I O N O F H I S M E R I T O R I O U S A C H I E V E M E N T S H A V E C O N F E R R E D  
T H E D E G R E E O F D O C T O R O F L A W S U P O N

J O H N L O W R E Y S I M P S O N

*Medalist in the University's class of 1913. Outstanding financial and industrial leader, with a firm and sympathetic grasp of the concerns and needs of education. Actively interested in world affairs and international relations, with a record of service in war relief organizations after World War I, as president of the World Affairs Council, and as a member of the Council on Foreign Relations and the International House board. Director of the Belgian American Educational Foundation; holder of the Belgian Order of the Crown. Consultant on problems of war production and economic recovery. Your Alma Mater takes pleasure today in honoring your many achievements.*

I N W I T N E S S W H E R E O F T H I S D I P L O M A I S I N S C R I B E D W I T H T H E S I G N A T U R E S O F T H E P R E S I D E N T O F  
T H E R E G E N T S A N D T H E P R E S I D E N T O F T H E U N I V E R S I T Y A N D T O I T H A S B E E N A F F I X E D T H E  
O F F I C I A L S E A L

G I V E N A T B E R K E L E Y T H I S T W E N T Y F I R S T D A Y O F M A R C H I N T H E Y E A R O F  
O U R L O R D O N E T H O U S A N D N I N E H U N D R E D A N D S I X T Y A N D  
O F T H I S U N I V E R S I T Y T H E N I N E T Y S E C O N D

Edmond G. Brown  
Governor of California and President of the Regents

Clark Kerr  
President of the University



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CLUBS

PACIFIC-UNION	San Francisco
BOHEMIAN	San Francisco
CENTURY ASSOCIATION	New York
LINKS	New York
METROPOLITAN	Washington, D.C.
UNION INTERALLIEE	Paris

12/5/78

## APPENDICES

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Woodland Daily Democrat, Monday Evening, September 5, 1892

### A SAD DEATH

#### The Demise of J. L. Simpson Casts a Gloom Over the Community

A gloom was cast over the entire community when the sad intelligence of Prof. J. L. Simpson's death, which occurred in Dunnigan at 11 o'clock Sunday morning, was received in this city a few minutes later.

Mr. Simpson was taken ill last week, and continued to grow weaker, despite the efforts of the physician and the kind ministrations of his family, until death relieved his sufferings.

Professor Simpson, as he was familiarly known in Woodland, was born in Belford, Indiana, and was 61 years, 6 months and 14 days of age.

In 1850 he located in Missouri, where he secured employment as an accountant. Two years later he crossed the plains, and arrived in San Francisco when he was just 22 years of age. He found employment as superintendent of a mine belonging to the late Ex-Governor Newton Booth. In 1853 he found himself in Grass Valley, a member of the firm of Lee & Simpson, lumber dealers and quartz miners. A few years later he disposed of his interest in this firm and located in Red Bluff, where he engaged in the banking business, being one of the firm of Dow and Simpson. A short time after his arrival in Woodland, in 1867, his wife died. He was a member of the faculty of Hesperian College for two years, during which time he was Professor of Mathematics. In 1869 he married Gertrude P. Pendegast, who survived him. He afterwards engaged in the drug business, and in 1885 he was a partner in the firm of Herling, Frazer & Co., which succeeded Porter & Co. in the grocery business. A few months ago he removed to Dunnigan with his family, where he assumed the duties of cashier of the Langenour Banking Company.

He leaves a wife and three daughters to mourn his loss. Noah Simpson, a brother of deceased, resides in Colusa.

He was a prominent member of Yolo Lodge, No. 22, A.O.U.W., the Masons and Knights Templar, and has also been a member of the Christian Church for many years.

Professor Simpson was generous in impulse, genial in disposition and upright and honorable in all his dealings. He was an honest, straightforward and kind-hearted man of christian character, and was deservedly popular. His death is deeply mourned throughout the county, and the bereaved family have the heartfelt sympathy of the Professor's many friends.

The remains arrived from Dunnigan on the afternoon train. The funeral services will be held at the Christian Church, in Woodland, Tuesday, September 6th, at 3:15 o'clock p.m. Interment in Woodland Cemetery. Friends and acquaintances are respectfully invited to attend.

APPENDIX B

# Random Notes

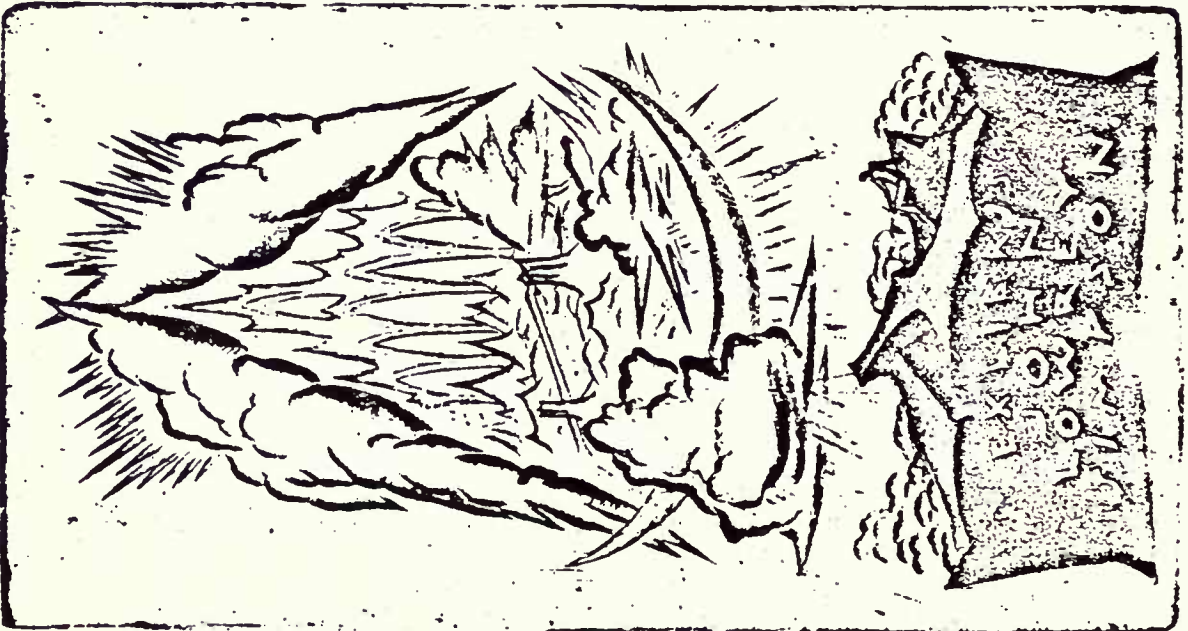
RECOLLECTIONS OF MY EARLY LIFE

BY

JOHN L. SIMPSON

EUROPE WITHOUT A GUIDEBOOK

1915-1922



**TO GREETE**

*The best Europe ever gave me*

**Designed and Printed by Lawton and Alfred Kennedy**

**© Copyright 1969 by John L. Simpson**

# Forenote

*It has long been my belief that the destinies of nations and of individuals are often decided by chance. For instance, if Napoleon had not been suffering acutely from a physical ailment on the day of Waterloo he would probably have won the battle—he had it won several times—and the history of modern Europe would have been different. If Lee had accepted Lincoln's offer of the command of the Union armies he might have finished the Civil War in a couple of years, to the great benefit of all concerned, especially the South. On the other hand, if Stonewall Jackson had not been killed at Chancellorsville there is a considerable likelihood that Lee would have won at Gettysburg, and we would be two nations instead of one.*

*In World War I if the British Admiral de Robeck had had the nerve to push forward and force the Dardanelles he could have realized Churchill's concept of a grand flanking operation, turned the long war into a short one, and changed the face of the Twentieth Century. Churchill himself later escaped death in a New York traffic accident and was therefore on hand to hold Britain firm against the Nazi onslaught. And if Hitler had not left the table and walked over to look at the map on the wall the bomb in the briefcase would have killed him, World War II would have ended in 1944, and there would have been no Russians in Central Europe.*

*Of course qualified historians can blow every one of these hypotheses sky-high. I understand that. Nevertheless I shall hold to my theory because I like it.*

FORENOTE

i

CALIFORNIA TO BELGIUM

i

BELGIUM NORTHERN FRANCE GERMANY

5

PARIS LONDON ROME

23

CENTRAL EUROPE & THEREABOUTS

45

Now turning from the macrocosm (world history) to the microcosm (me), when I accepted a proposal to join the Commission for Relief in Belgium for three months I unwittingly determined the entire future course of my life. Everything followed directly or indirectly from that decision: interests, vocation, avocations, many friends, associates, acquaintances, travel, places of residence, most important of all, my wife. The three months stretched into years and the years into the better part of a lifetime.

I do not consider that my "career" supports anything as pretentious as memoirs; but notes, yes. So that is what I have done, written some random notes. They do not need to tell a complete story or come to any conclusion. I have depended partly on memory and partly on letters written to members of my family.

The period covered is from the autumn of 1915 to the summer of 1922. That means most of World War I, including the time of our participation as a belligerent, and several years of the aftermath. With the exception of a brief trip to the United States in 1920, I spent that entire period in Europe.

The Commission for Relief in Belgium was the creation of one of the outstanding men of our time, Herbert Hoover. His was the guiding spirit of most of the activities in which I was engaged during those six or seven years. If I say that it was my decision to go to Belgium for three months which gave me what I feel has been a full life, I must add that it was this great man, "The Chief" as he was called by so many, who created the opportunities.

I have enjoyed reconstructing this bygone time. If these notes give entertainment to any of my friends and associates, I shall be doubly pleased.

One more word. In my youth I had two good and kind friends who were newspaper men of Irish descent. They told me marvelous tales of adventure in this and other countries and thus enriched my life. Being what they were, they did not let a starish subservience to unimportant details stand in the way of a good story. Nevertheless I believe they were essentially truthful. I have tried to adhere to that amiable and, I hope, honorable standard.

J.I.S.

San Francisco

May 1, 1969

# California to Belgium

Well, I was born. We lived in a small town in California. I never knew my father, he died too young. I had four mothers, one biological and three elder sisters. They dressed me in a Little Lord Fauntleroy costume, but I eventually forgave them and loved them nevertheless. I went to school and college, was obstreperous but a serious student, and finally grew up (more or less).

That accounts for almost the first third of my life. After that I went to Europe, without a guidebook.

\* \* \*

On my way to Belgium I passed through New York, and a gentleman I had met in San Francisco gave me a card to the Players' Club and invited me to lunch there. One of his friends joined us and they asked me what I was doing. I explained that I was en route to join the Hoover organization, the Commission for Relief in Belgium, and to serve in the Belgian feeding program. It was 1915 and Americans, then neutrals in World War I, were admitted to the German occupied territory to supervise and control distribution of emergency food which the British allowed to pass through their blockade.

Those two men were fascinated. They dwelt on all the possibilities which lay ahead of me, especially the gratitude which the Belgian girls were bound to feel and show toward us young Americans. I was full of virtue and high purpose; their attitude seemed to me somewhat frivolous and slightly lecherous. What puzzled me most was that they were men of position



## 2 CALIFORNIA TO BELGIUM

and means and yet they seemed to envy me. Now I understand better how they felt.

My host told me how to put a p.p.c., *pour prendre congé*, card on the bulletin board of the Players' Club, and I then took a ship to Liverpool.

\* \* \*

My first experience in England was not auspicious. I was standing in the corridor of a train from Liverpool to London next to an Englishman I had met on shipboard. He turned to me and asked, "Did you happen to see the name of that station we just passed?" I had indeed seen a large blue and white sign and replied, "Yes, I think it was Bovril." Now "Bovril" meant of course the much advertised broth concentrate with big blue and white signs all over England. The Englishman said, "No, really, you're not serious!" and held his sides. Later I came to know England, or at any rate London, quite well and did not make many mistakes like that.

\* \* \*

The Commission for Relief in Belgium quarters were in Mr. Hoover's offices at 3 London Wall Buildings. One of my first acts was to turn in my expense account, for I was broke. I said to the clerk who handled such matters that I would appreciate being reimbursed after my account had been approved. He said, "If you'll wait a minute I'll give you the money right now." I said, "Don't you want to check it?" He said, "Why?"

I spent a few days in London and one of Kitchener's recruiters tried to enlist me in the British Army. I plead a previous engagement and went to Holland via Tilbury-Flushing.

This is one of the many crossings between England and the Continent which I have traveled. Even now in this air age the names of those complementary ports have a singular attraction for me: Southampton—Le Havre, Folkstone—Boulogne, Dover—Calais, Harwich—Hook, Newcastle—Bergen. All bridges across that small but mighty stretch of water.

# Belgium

## Northern France Germany

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In Rotterdam I found that I was to go into Belgium at the same time as Mr. Hoover and I made the trip to the Belgian frontier with him. He welcomed me kindly as a new "delegate" and cautioned me regarding conduct in German occupied Belgium. One thing he emphasized was not to carry a scrap of paper across the frontier, in order to avoid any possible trouble with the censorship. He himself did not carry even a personal calling card. He also insisted that however one might feel regarding the war, his behavior must be strictly neutral. Otherwise the whole operation would be jeopardized. Every one of us must be dedicated to the cause that "The Feeding Must Go On."

\* \* \*

Shortly after arriving in Belgium I again put my foot in it, as in England, this time literally. At Christmas a Belgian family in Brussels invited the delegates to a lovely holiday party. I wished to demonstrate as promptly as possible my urbane manners and began making a formal speech of appreciation to the hostess. Noticing that she did not seem particularly impressed, I found that I had both feet firmly planted on the train of her dress. In some confusion I beat a retreat and saw a fellow I did not know sitting behind a small table on which stood a bottle of champagne and a box of cigars. I told him, "I am really quite embarrassed." "Never mind

that," he said, "just sit down and have some champagne and a cigar." I did so, and we were great friends ever after.

\* \* \*

The actual distribution of the food was handled by a highly organized and efficient system of Belgian committees. The Belgians, however, were restricted in their movements, for instance not allowed to operate or ride in automobiles. We American delegates, some two or three dozen at any one time, were provided with automobiles and were privileged to move freely in most parts of Belgium. It was our function to oversee the working of the committee system and to deal with or report any diversion of food into German hands or other irregularities. We performed this duty with zest!

I promptly became a member of the "Young Turks" as we called ourselves. The *avant-garde*. We were determined that the Germans should get none of the Relief food and were prepared to snatch their own rations out of their mouths had it been possible. Our chiefs' problem was to keep us within bounds. But after all, I suppose they reasoned that you can dampen spirit but you cannot ever put it where it isn't.

One of my colleagues was once halted by a German sentry who demanded gruffly in German to see his pass. "Here it is, you sonofabitch," said my friend. "Thanks, and same to you, sir," replied the sentry, who had been a bartender in Milwaukee.

The language problem with the Belgians was not a serious one, mainly because the Belgians are such excellent linguists. Occasionally there was a little amusement as when one of our Flemish friends, having verified a set of figures, always announced loudly: "The ciphers are just!"

Grain from overseas was transported in lighters by canal from Rotterdam to Antwerp and elsewhere. The lighters usually bore women's names. Wheat rode well, but with corn there was always the danger of its heating underneath and fermenting. We were on the lookout for this and as each lighter arrived at Antwerp a report was sent from the docks to the uptown office. One day an intriguing report came in: "Bertha Louise arrived this morning with her bottom a little warm."

\* \* \*

We delegates were stationed in the various provincial capitals, and I was lucky in being assigned first to Antwerp. Wherever we lived, however, we forgathered in Brussels for a weekly meeting. This was for the purpose of rendering reports, exchanging information and receiving instructions. The effect on our *esprit de corps* was tremendous.

Mr. Hoover presided over these meetings when he was in Belgium and usually asked each of us how things were in his "bailiwick." He said little but what he said counted much. One delegate remarked that Mr. Hoover expressed himself in few words, one being "yes" and the other "no." We were devoted to him.

\* \* \*

We took our jobs extremely seriously and were on the whole, I believe, reasonably circumspect and well-behaved. There were exceptions, however. I recall one long festive evening in a dingy little café in Brussels called "Le Diable au Corps" (The Devil in the Body). We were a mixed group of Belgians, French, Dutch, Americans, and one German "accompanying officer" from Northern France. I would probably have forgotten the whole thing but for an appeal to my judgment which was unusually flattering.

of the two gentlemen in New York, our most poignant recollections of personal relations in Belgium were of a different sort. The warmth and kindness with which Belgians of all ages and stations received us gave us unforgettable memories. We were taken into families like sons and brothers and made friendships with young and old, fathers and mothers, boys and girls, which have lasted all our lives. Some of my colleagues married Belgian girls, and those of us who did not have always kept those charming companionships in our hearts.

\* \* \*

Fond as we quickly became of Belgium, however, some of us felt that there was more adventure to be found in Northern France. Belgium with a population of about seven million was held by a few tens of thousands of German troops. Occupied Northern France with a couple of million inhabitants had the whole German Army of the Western Front, itself a force of two million men, imposed on it. That was *really* war. That was where the action was.

So I managed to negotiate myself out of Antwerp, one of the pleasantest, most hospitable and most interesting posts in Belgium, to be put in charge of one of the six districts into which Northern France was divided under the feeding program. (I rationalized this maneuver on the theory that I was the No. 2 or junior delegate in Antwerp, but would be solely responsible for the French district. Of course the simple fact was that I had ants in my pants.)

\* \* \*

The posts in the other five districts were in cities of some importance: Lille, Valenciennes, St. Quentin, Charleville,

While I was trying next morning, by a succession of hot and cold showers, to get myself in shape for the weekly meeting, the Dutchman of the night before walked into my bathroom where I stood stark naked. He said he would like to have my opinion on two points which bothered him and regarding which he thought he should have redress. The first was that we had all persisted in calling him a "skipper" whereas in fact he was a "shipper"—a distinctly higher station in life. His second complaint, even more serious, was that the German officer had made off with his girl.

Inasmuch as he had solicited my frank opinion I felt bound to give it to him. I advised him that I presumed there would be a peace conference at the end of the war, and that he should try to get both those items on the agenda. He left, not entirely satisfied. I still think the fellow was a skipper.

\* \* \*

Belgians are naturally genial and cordial and it was easy to have friends in all walks of life. In some way I met and became acquainted with an artist, a most peculiar man. He had the utmost contempt for the bourgeoisie and painted only human derelicts and workhorses. We got along well together despite the disparity in our natures. There hangs on my study wall today one of his paintings, a gift to me, of a sad young Flemish woman holding a sickly baby in her arms. A disturbing picture, simple, stark, and tragic. I sometimes spent evenings in his home and his wife read Zola to us. She suggested that he do my portrait, but he politely declined, presumably because I was neither a derelict nor a horse.

Whatever there was or was not to the lickerish daydreams

The officer was a captain, a better rank in the first World War than in the second. In civilian life he was a successful publisher. One secretary was disguised as a non-commissioned officer; he was really a German bank representative in Paris. The other secretary, scion of a well-to-do Berlin family, was an archeologist with a Greek wife. Including me we certainly were a martial outfit. Every time I left for the weekly meeting in Brussels the noncom-banker cried, "Oh, Mr. Simpson, please, please bring back the peace!"

The captain disliked this noncom-banker because he was always moaning and groaning about his mistress in Paris. The captain also disliked the archeologist because he was a high-brow. Both the noncom-banker and the archeologist disliked the captain, whom they considered a crude type of business-man. They also disliked each other. I am sure all three disliked me.

None of this group could have been as witty and philosophical as a young German lieutenant in another district whose nickname was Winkie. After a bad night out he looked mournfully at his image in the mirror, shook his finger at it reprovingly, and scolded, "Winkie, Winkie, you naughty little Hun!"

\* \* \*

Being entirely immersed in a German atmosphere I reacted by ostentatiously studying French. Every evening after dinner I got out a grammar and some reading material. I do not believe that increased my popularity. There was a good deal of complaint about the foul weather, which they blamed on the French. I dealt with that subject by suggesting that if, displeased with the weather, they all went back to Germany the French would probably not object.

Longwy. My district had its headquarters at Vervins, a dreary little town of some three thousand inhabitants, just about the size of the town in which I was born. In that respect I had come full circle, but oh, with what a difference! And there also certainly were differences between Vervins and Antwerp.

The key distinction was that whereas in Belgium we were free agents subject to the regulations, in Northern France each delegate had a German "accompanying officer" attached to him. At least that was the theory. In fact *we* were attached to our German officers.

Under the arrangements I was authorized to have access to the food's arrival, storage, and manner of distribution. The German Army provided a car and driver and I could go on inspection tours anywhere within the district, but only in the company of "my" officer. And I could speak to no member of the French population except in his presence.

My job was to live in the district (about 200,000 inhabitants), keep in touch with the Relief heads of the sub-districts, see that proper reports were submitted, hear complaints, represent my district at the weekly meetings in Brussels, take care that shortages were avoided as far as possible in each commodity, arrange the amounts and distribution of local shipments, and in general be able to assure the C.R.B. chiefs that the supplies were arriving and being distributed in a satisfactory manner.

\* \* \*

My German officer had two secretaries, what for, nobody knows. Incidentally, they all spoke English. We lived together in the same house. We walked together, talked together, took meals together, sat around after dinner together, all but slept together. It was an ideal setup for cabin fever.

The subject of atrocities during the invasion of Belgium came up and I expressed my personal condemnation. The amazing thing was that instead of telling me firmly that such a matter was strictly outside my competence, they endeavored to explain and justify what had happened. "A commander simply could not tolerate sniping against his troops."

\* \* \*

As to the inspection and control of the food, our relations were on the whole businesslike and good. I insisted on traveling far and wide and on seeing everything I could, and the officer carried out his part "correctly." (That was indeed a favorite word: "Korrekt.") We had a few rows, but not too many. Once, however, we locked horns, I have forgotten over what, and neither of us would give way. Finally the captain said, "Very well, we will take the matter to Charleville." That was German General Headquarters, and our organization had a senior representative there. So we took a train on a snowy afternoon, went to Charleville, argued the matter there, came to some kind of compromise, had dinner and spent the night.

One of the German officers said, "This must be a rather difficult position for you, Mr. Simpson, being all alone in the midst of foreigners at war." My captain interjected immediately, "Don't give a thought to it. He thinks he's confronting the entire German Army and he loves it."

Of course I was excited by the war and wanted to go as near to the Front Line trenches as possible. My argument was that the closer to the Front the greater the likelihood of food supplies being diverted to German use. The truth was that I mainly wanted the thrill. The captain had much more sense

and no desire whatsoever to go too near. If he managed to get me shot it would be very embarrassing to him, and even more so should he get himself shot. As usual we argued and compromised.

\* \* \*

In reality I did best when I used a little tact and common sense. I have mentioned that in Northern France we were not permitted to have contact with the French except under surveillance. However, I had a lot of paper work connected with the shipments and it was a big bore. So I asked the captain whether he would not select some Frenchman and assign him to me as secretary and clerk.

After some reflection he agreed to make this exception to the rule. I thus acquired a little old fellow with a black sailor hat, right out of Anatole France. My guess was that he was not in the German pay, but I acted on the assumption that he might be and said nothing which I would have minded having reported. He handled the papers and otherwise I refrained from communication with him, except that I did get him to teach me all the words of "Au Clair de la Lune." I don't believe that was an infraction. He had a round typewriter, the like of which I never saw; I believe it was the one Benjamin Franklin used when he was our envoy to France.

\* \* \*

Another trip we made to Charleville was of a more serious nature and produced an incident of much credit to at least one German officer. The Germans were deporting Belgian and French workmen to Germany. Not to concentration camps as in the Hitler regime, but to be used as farm labor. However, many of these deportations were handled harshly, by yanking

men out of their homes at a moment's notice, separating members of families, crowding them into cars like cattle, etc. Our Director of Relief in Brussels determined to make a protest to German General Headquarters, and a number of us accompanied him.

The German high officers were inclined to pooh-pooh the whole matter, claiming that the selection and transportation of workers were being carried out in an orderly and humane manner. At that point a German first lieutenant (*Oberleutnant*) rose and said he begged to differ, that he was personally familiar with the deportations and that he must support entirely what the Americans had said. In view of this man's modest rank and the fact that he was standing in the presence of high generals of the Western Front, this was an action of outstanding moral courage. We respected and admired him greatly. While the deportations did not cease, I believe the procedure was improved thereafter.

\* \* \*

For an odd set of reasons I traveled over a considerable part of Germany in 1916, the year before the United States entered the war. My captain was a solid type, pretty stout and very fond of his wife. Like the secretaries he did not care for Northern France, but unlike them he had a way out once in a while. He could go home to Germany.

There was a catch, however.

As I could not be left alone at Vervins in his absence something had to be done with me if and when he left the post. One solution would have been for me to stay in Brussels. Someone, Belgian or German, might then ask: "Why is Simpson away

from his job so long?" And the reason, that my officer was off wife-visiting, would not sound so good from his standpoint. The upshot was that the captain suggested I accompany him on such trips. He might not love me, but anyway that would safely take care of my "body."

I put the problem to the Director of Relief and his answer was pragmatic. It was important to get along with the officer and to keep him in as good a humor as possible. If it pleased him to make an occasional trip to Germany and if I represented a problem, the best and most useful thing for me to do was to accept his invitation and go along.

\* \* \*

Our first trip was in connection with the departure for Switzerland of my predecessor at Vervins. The captain undertook to escort him through Germany to the Swiss frontier and I was included in the party. The captain's wife, an attractive and pleasant lady, joined us and traveled with us. We went to Karlsruhe, Heidelberg, Würzburg, Rothenburg, Nuremberg, Munich, and Lindau; and returned via the Black Forest, Stuttgart and Strasbourg.

On the captain's and my return trip to Vervins near Metz I remarked to him that there was very heavy artillery fire to the south. He said, "Yes, that is heavy, isn't it?" It was the opening guns of the Battle of Verdun.

On two other trips which we made we visited Cologne, Bonn, Wiesbaden, Mainz, Leipzig, Dresden, Berlin, and finally Aachen.

We took in operas, shows, museums and what-not. We stayed in posh hotels and lived the life of Riley. Germany at

that time was still the strong impressive country it had been before the war. Trains ran like clockwork from a few miles behind the Front straight to Berlin. Rationing for the population was strict and the British blockade was causing severe hardship and deprivation. An officer with a neutral guest, however, was well provided for in hotels and restaurants, and we ourselves were not subject to the austerity of the general population. England was considered the archenemy and the devil to be exorcised. The neutrality of the United States was a sham. Nevertheless Germany was going to win the war.

\* \* \*

Unfortunately I was not adequately equipped for this travel de luxe. Before leaving San Francisco I had purchased a suitcase for five dollars. It was made of papier-mâché and was painted or varnished a color vaguely resembling leather. With care it had stood the trip so far, especially as I usually handled it myself. But in the hands of porters, valets, etc., it succumbed. I can still recall the captain announcing, "Mr. Simpson, the orderly says the handle of your suitcase has come off again." That meant, not that the handle had simply become detached from the top, but that it had torn off a slab of suitcase with it. I always said, with dignity, "Thank you. Let him put a cord around it for the time being." The result was I walked into some of the leading hotels in Germany with a papier-mâché suitcase tied up with baling wire or the like. (Later I dipped into my allowance and bought a leather suitcase, a big step forward.)

\* \* \*

In Belgium and on the trips to Germany I began to take a keen interest in art galleries and operas. It was partly the novelty which caught me and partly a youthful enthusiasm. I had sense enough to appreciate the special beauty of Dresden and the out-of-this-world quality of Rothenburg. While the one was unhappily destroyed in World War II, the other was fortunately saved.

Wagner, however, baffled me. I do not know whether every novice goes through the process I experienced with the master of "music-drama." It was only much later, in Vienna, that I completed my own Wagnerian cycle from incomprehension to infatuation, to disillusionment, to relaxed enjoyment for about two acts. The cultivated Germans whom I met while in my first phase, and who naturally did not relish being called "barbarians" by the Allies, must have regarded me as some creature just emerged from the wilderness.

\* \* \*

On those excursions to Germany my captain assumed the role of host and could not have been kinder. At Vervins he was tough, and so was I. Even there, however, his attitude was that *he* would deal with me, and others hands off. One day we were having lunch near the Front and of course were speaking English as we always did. Apparently some officer in the room took offense at hearing this and began making remarks.

My captain became furious, turned crimson, got up, strode over to the table where the other officer was seated, whipped out his card and laid it down, and I feared was going to chal-



lunge him to a duel right then and there. If he was "my" captain, I was "his" American. He would deal with me in English or anyway he pleased. All others keep off the grass.

Once on returning from Brussels, with passes all in order, I was halted by a dumb sentry. He escorted me to a non-commissioned officer who obviously took a dim view of me and ordered my arrest. As I was marched up the main street of Vervins at point of bayonet half the town turned out to see the show. When the news of this reached our household pan-demonium broke loose. They all rushed out, captain, secretaries and orderly, and began shouting and gesticulating so that if I was not scared, the sentry certainly was terrified. When I was released and the excitement finally died down I explained that it was not the sentry's fault but that of the *Unteroffizier*. The captain rushed off to attend to that unfortunate, and what he told him I hate to think!

\* \* \*

As I look back on those days I feel differently about the people and our relationships. Everything at that time was colored by the war and my pro-Ally sentiments. The cruelty of the original Belgian invasion conditioned our entire attitude toward Germany and the Germans. I now realize that those men with whom I lived for half a year, including my captain of numerous skirmishes and a few battles, were decent and honorable gentlemen. They were serving their country which, though it became our enemy, was no Hitler Germany. I am sure none of them had anything to do with Belgian atrocities, and that they only defended them as a matter of national loyalty.

According to an old note which I found among my papers

the captain once said that whatever differences of view we might have, he considered my personal attitude above reproach. I was really pleased and, I must say, surprised to read this.

I was young, emotional, committed to a view, unwilling to look for much, if any, good on the other side. Those men were fairer toward me than I was toward them. I wish we could all forgive each other again in Vervins and I could tell them so. But I wouldn't want to stay in Vervins very long!

\* \* \*

My predecessor at Vervins had been a retired American Army major. He was older and obviously more experienced in military matters than I. He had gone to Switzerland on leave but after about six months he returned. The Director of Relief then asked me whether I had had enough of Northern France and would like to come back to Belgium. If so, the major would be willing to return to his former post.

I wondered whether my captain had possibly asked if he might be granted a little Relief himself, namely relief from Simpson. I meant to ask someone, but many things happened and I forgot all about it.

I did learn indirectly that the captain paid me what I chose to regard as a compliment. Someone is reported to have asked him whether he liked me. He replied, the story goes, "No, I can't say that I *like* him, but he certainly is interesting."

So the major took over at Vervins and I am sure life became less intense on that part of the Western Front. He undoubtedly did in a quiet way just as good a job as I did, or better, without nearly so much fuss and fanfare.

\* \* \*

I was then appointed Senior Delegate in Liège, another of the beautiful and attractive cities of Belgium. Antwerp is Flemish; Liège is Walloon. They are opposites. Belgians, however, wrangle when they may and stick together when they must.

The Relief in Liège was well organized. There were plenty of clerks and stenographers, not just a little old man in a black alpaca suit with a round typewriter, as at Vervins. Top businessmen and industrialists composed the Belgian Provincial Committee. I had daily dealings with them, much less leg-work than in France but much more administrative and policy responsibility. Wherever one was stationed one attended the weekly meetings in Brussels.

A delightful elderly lady took a fancy to my associate and invited us often to dinner. She was reputed to possess one of the finest Burgundy cellars in Belgium. I enjoyed her and my friend's conversation immensely, paying as little attention to it as possible while I tried to learn to distinguish a Pommard from a Volnay. I saw no harm in studying a little oenology along with mass nutrition.

\* \* \*

One afternoon when I was in Brussels I had stayed late in the office looking over some papers, and Mr. Hoover also happened to have remained. We were the only two there. When Mr. Hoover was ready to leave he strolled over and asked whether I was doing anything for dinner. As a matter of fact I had a date with a girl but I thought fast and said, "Not a thing." He then asked me whether I would like to dine with him and I of course said yes. It evidently relaxed him to chat

with "one of the boys" and he talked on a number of subjects. What a pity that I did not write a memorandum! I was probably oversensitive to the rule of discretion with regard to words on paper.

It was in 1916 and I recall that Mr. Hoover discussed the Wilson-Hughes election. He said he considered Wilson a great man, a view which he confirmed in his later book, "The Ordeal of Woodrow Wilson." When my pals learned, and I took care they did, that I had dined alone with Mr. Hoover they could not conceal their envy.

Everything turned out well that evening. My girl waited and met me for a light supper later on.

\* \* \*

After about four or five months in Liège I was transferred to Brussels. By that time I was a veteran, having served in two Belgian provinces and a French district. I therefore apparently qualified for a position at headquarters in charge of one of the departments of the general administration. Having been "in the field" for about a year, I of course was very pleased to be working close to the Director in the overall operation of the Relief. I even sometimes sat in meetings between my chief and the head of the Belgian central organization and occasionally acted as interpreter for them.

It soon became clear, however, that we were not to remain much longer in Belgium. On the day of the declaration of unrestricted submarine warfare, about the first of February 1917 I believe, I told some of my Belgian friends I was sure that meant war between the United States and Germany. There was still some backing and filling, but the war clouds were

gathering fast in America. We became busily engaged in assembling records and reports and preparing for the take-over by the Dutch and Spanish. Time seemed to fly. Although we realized the end was near we could hardly imagine leaving Belgium. At least, that is the way we younger men felt; I suppose the more mature had better perspective. Today and tomorrow, here and there!

\* \* \*

One thing among others the C.R.B. did was to knock the provincialism out of us, certainly out of me. I arrived in Belgium a green California youth and in no time some of my best friends were from New England, New York, the Deep South, and other sections of the country. The only thing which counted was whether you were a good delegate. In fact it might be said that we invented our own provincialism, the provincialism of the C.R.B.

To be a member of the Commission for Relief in Belgium was what is now called "in." You were either "in" or you weren't. I have been lucky enough to belong to other fine organizations, but I have never known an esprit de corps surpassing that of the C.R.B. Even today those of us who are left revive its memories. Like "the old men of Marathon" who so bored the Athenians in the late Fifth Century.

When the declaration of war finally came I was among the last to leave. The Germans treated us with courtesy and consideration. I went out to Switzerland on the train with the Minister. He had two little dogs and said he was glad they seemed to be standing the trip well.

## Paris London Rome

During my first few weeks in Paris I almost declared personal war on France.

We arrived at the Gare de Lyon early one morning. That was good. Mr. Hoover soon put us to work. That was also good. But then we came in contact with the French bureaucracy. That was not good at all.

The job of my companion and myself was to find out all about the French food situation and to report to Washington. This was both to measure the likely demands on our country and to provide complete information regarding controls and rationing.

It was a big order and a difficult task, but that was just our dish. In our innocence we did not realize what the main difficulty would be.

The French officials did not take kindly to us. We were a strange species. We did not speak French like Frenchmen. We probably had just arrived from the backwoods of America. We did not even have diplomatic status. They had troubles enough without us.

In fact they did have plenty of troubles in this area, and these were chiefly with their good allies, the British. One of the most uncomfortable relationships is that between allies. An enemy is expected to be an enemy and he always is: an ally is supposed to be a friend and he often isn't. Or at least you think so.

The British controlled most of the shipping and sources of

supply and it was natural for them to look out for number one. As a result the French had negotiated for years with London on food supplies and had worked out the best deal they could. What could two young Americans do but mess things up properly? Best let us cool our heels for a couple of hours in the anterooms. Which we did. Day after day.

\* \* \*

We, however, who had been given a job to do, were furious and had to vent our wrath on someone. This proved to be a Frenchman, a long-time associate of Mr. Hoover and representative of the Commission for Relief in Belgium for dealings with the French Government. I told him what I thought of his countrymen and said they made the Germans look good.

My mood was not improved when one of my C.R.B. companions suggested helpfully that I cable Mr. Hoover: "Have been grossly insulted please advise."

Our French friend let me blow off steam for a time and then began to straighten me out. He reminded me that I had been dealing with bureaucrats, a breed unto themselves the world over. He had dealt with many in various countries including mine. All alike. French no worse than any others. Calm down, Simpson. Keep at it. Try to get on a personal basis. They are human after all.

Well, that is what I did and found that even in France the adage "if you can't lick 'em, join 'em" works. They finally did join us, so that we ended by getting the information we needed and finished in an aura of good feeling.

After all, there is nothing like a good row and a good recon-

ciliation to form the basis of a friendship. To this day some of my friends regard me as Francophile.

\* \* \*

In fairness to the French I must add that we had a little trouble on the American side also. We needed to send our material to Washington in the diplomatic pouch and the Embassy secretary was as skeptical of us as the French bureaucrats were. He had never heard of a new entity called the United States Food Administration and was loath to take our word for it. There was nothing in the book about it. I think one may safely say that our Foreign Service was not at that time at the peak of alertness and realism. There is the old story of the American Embassy whose only map of Europe predated the first Balkan War.

Once when a copy of a treaty was lost, and those responsible were unable to find it, a diplomat greatly liked and admired by all of us was asked whether he had any idea what could have become of it. He said he thought it might be found in the next building, down in the basement, in a coal scuttle, wrapped up in a shirt.

We could have gone over the secretary's head to the Ambassador, a genial and sensible gentleman. That would have surely put us in the doghouse with the secretary. In the end we managed to wheedle ourselves into semi-diplomatic status and obtained access to the Embassy pouch. I am sure our State Department today is a model of streamlined efficiency.

We worked day and night except that once a week after the pouch closed we took an evening off for a little binge. Otherwise, no letup. As the work progressed we sent along some in-

terim reports and after two months of feverish activity the main reports were completed and forwarded. We were directed to proceed to London.

\* \* \*

The London office was still an important C.R.B. center for administration and control of shipping. It was also a headquarters for records and reports, and we helped in the preparation of some of those. The operation had originally started as, supposedly, about a three weeks' affair (it was to be a short quick war). After a year or two had gone by with no indication of an end a sign was placed on the dining room mantelpiece, "This Cannot Go On Forever."

There had been numerous Zeppelin raids on England; in fact when I was in Liège I used to see the Zeppelins on their way in the late afternoon or early evening. I believe, however, that during this stay in London I saw its first daylight raid by heavier-than-air planes. It was a bright summer day and the planes looked like specks in the sky. We went to the roof of 3 London Wall, but after we had seen a few buildings blown up we retired to a lower floor. The Liverpool Street Station was hit, with a train in it, and there were numerous casualties. No one foresaw that this was merely a mild forerunner of the horrible bombing of cities which was to occur in later times.

\* \* \*

One day the Director called me into his office and said, "Pink, I hate to do this, but I have to show you this cable." It was from Washington and it read somewhat as follows: "Simpson's reports on French food situation utterly inadequate and unsatisfactory. Have him show you his original instructions and send someone to Paris to do the job properly."

I was stunned. I had broken up the original cable under its half-dozen headings and by a labor of Hercules had covered every one in the most complete and minute detail. If there was anything in the French food situation which was not in those reports it simply did not exist. I was stricken as I realized that I had in some unaccountable way failed at the most important task ever assigned to me, and that my career with the Hoover organizations was obviously at an end.

The Director was nearly as upset as I was and asked me whether I had copies of the reports. A full set was at my hotel and he told me to jump into a cab and get it. When the reports were piled on his desk they seemed a foot high. As he thumbed over this formidable documentation, now discarded, I knew he was wondering how on earth he was going to find someone else to perform the task right. If I was in a bad spot so was he.

Just then a clerk brought in another cable from Washington which read: "Simpson's main reports on French food situation now received and entirely satisfactory. Cancel our previous cable." You could actually feel the tension ease out of that room. We went in to lunch and I took a ribbing as to whether I thought I could really do a proper report on the French food situation.

\* \* \*

About that time word came from Mr. Hoover's C.R.B. representative in Paris asking me to come over as his assistant. In their strategic withdrawal to the Hindenburg Line in Northern France the Germans had left the liberated areas in a terrible state of devastation. The American Red Cross had requested this able Frenchman to take charge of a program of

rehabilitation. Some of the freed country had actually been in my district on the other side of the Line, which added to the interest for me, and I immediately returned to Paris with enthusiasm.

Nothing came of it, however. There were delays and contradictions, and finally the problem was handled otherwise. Perhaps the Red Cross decided it was preferable to put an American in charge. I was frustrated and wished I had stayed in London and followed up the suggestion that I might get a commission on our Naval staff there.

\* \* \*

All that went out the window when I was appointed Assistant Representative of the U.S. Food Administration in Paris. This had been my dream since the days of the first report. I felt that with me on the job the French food problem was in safe hands! I continued in this capacity and state of mind to the end of the war; and we did win, didn't we? While I did not go so far as to write a poem similar to the famous "Nimitz and Halsey and Me" of World War II, my private refrain, as I recall, was "Wilson and Hoover and Me!"

Several bosses passed seriatim over my head. They were all fine men and had the additional advantage to me of bearing other responsibilities besides food. In each case they laid down some guidelines and then left me largely to myself. I liked that.

My conviction was that the French food situation could not be judged by Paris but only by the country as a whole. Therefore I should make trips to the various regions. That was agreed to by my superiors and I set forth a number of times.

\* \* \*

One of these trips took me to the Department of La Manche in Normandy. I went directly to the Prefect at Saint Lô, the capital city, and explained my mission to examine the food situation. He at once said that he had arrived on his job only three days before and would himself like to have a look around the Department. So he proposed taking me in his car with a couple of his staff and making a day of it.

We did just that and I found him a most cordial and genial companion. He told me some humorous French stories and, more important, opened all doors. We both had an interesting and instructive time. He learned something about his Department and I learned something about the food situation. Some of the places we visited bore names which were to become famous in World War II when the battle of the hedgerows of Normandy was fought.

Later I heard a rumor that my friend the Prefect had occupied an important position in Paris but had become a little too frolicsome with certain ladies and had been sent out to Normandy to cool off.

Along toward evening we found ourselves in the vicinity of Mont St. Michel. This is, if not the most beautiful, surely one of the most picturesque structures in the Western world. Debussy must have been thinking of it when he composed "La Cathédrale Engloutie." Since neither the Prefect nor I had ever seen it, he proposed that we pay a visit.

Alas, when we had passed over the causeway and arrived at the entrance, it was barred tight and fast. We pounded on the gate only to hear someone within bellow: "*Fermé, fermé!*" At that point one of the Prefect's assistants called at the top of his voice: "*Ouvrez! C'est Monsieur le Préfet de La Manche!*"

leave and that the margin of supplies for the country as a whole was a narrow one. I repeatedly conveyed this view to Washington, which may or may not have influenced our national policies but which certainly did not hurt my standing with the French.

\* \* \*

Paris absorbed a few air raids but they did not amount to much by later bombing standards. The most bothersome effect was broken windows. A method was found, however, to minimize this hazard, provided the blast was not too close. It was to paste strips of paper on the windows. Simple? Not at all. The Parisians did nothing so uninspired as that. They took paper strips of various attractive colors and arranged them in beautiful and fantastic designs on their windows. Paris never looked so dressed up.

One day, however, we had a real novelty. I was lunching with a French friend at the Brasserie Universelle on the Avenue de l'Opéra (gone now) and started talking about the day's air raid. I thought it odd that although the weather was fair one could not see any planes. He said, "Perhaps there aren't any." I said, "How come?" He said, "Why not artillery?" And so it was, the first Big Bertha dropping the first shells on Paris, from a distance of seventy-five miles.

The Big Bertha took the French by surprise but there was immediate response. The guns were quickly spotted and brought under artillery fire. One gun blew up. Two others wore out. In the meantime some casualties were caused, especially in one tragic instance when a church was hit during service.

The public reaction was most interesting and typically

(Open! It's the Prefect of La Manche!) His shouts echoed through the huge empty spaces.

There was a moment's silence. Then we heard a rattling of chains, a jangling of keys, a clanking of iron doors, and finally a thumping of feet as a porter hastily unfastened the gate. We entered those massive passageways and granite halls, which were by this time immersed in mysterious half-darkness. We held our breaths. This was the place where the Crusaders stopped on their way to the Holy Land, where William the Conqueror listened to his minstrel chanting the "Chanson de Roland." For a few moments we were carried into another age and another world. Then we went and had an omelette soufflée, for which the restaurant there was famous.

As a way of sightseeing I cannot recommend anything more highly. A vast improvement on an American Express guided tour.

\* \* \*

By then I was on excellent terms with the French officials. They offered me cars where needed and asked whether I would like to have a captain accompany me. I said, "Yes, by all means." I had tried a German captain and was delighted to sample a French.

He proved to be a most agreeable companion and we became fast friends. Our only difference, not a serious one, was that he thought I was sometimes a little overzealous at my task. We compromised by concentrating on the job during the day and having a good time in the evening. It worked out all right.

Those trips in the provinces confirmed my belief that Paris was being treated deliberately as a luxury spot for soldiers on

French. As soon as people became accustomed to the idea they seemed to take a certain pride in being shot at by the longest-range cannon in the world. "Bertha Krupp is spitting on us again," they said. Most of the casualties occurred in the streets; if one was indoors there was very little danger. I told my secretary that she need not come to the office until we could see how serious the bombardment was going to be. She scoffed at the idea and said that no Big Bertha was going to keep *her* away from her work.

I have three special memories of those days:

First, of women's heads, usually wrapped in towels, sticking out of windows after a burst, with outraged cries of "*Ah, les brigands! Ah, les bandits!*"

Second, of the reaction of a French official whom I was interviewing when a shell burst outside the window and impressed me by blowing all the leaves off a tree which stood there. He did not pause in what he was saying or change his tone in the slightest degree. I decided if that was the code I would abide by it, so the subject was not mentioned.

Third, of an article in *Le Temps* a couple of days after the first shells, explaining the feasibility of discharging a projectile with such speed as to hurl it beyond the confines of terrestrial gravity. Fifty years ahead of Apollo 8! I wish I had kept a copy.

\* \* \*

The light air raids and Big Bertha shells disturbed the normal life of Paris very little. Theater, opera, and music continued as usual. I went often to the Comédie-Française where Molière was (and still is) my favorite, as well as to the Opéra, Opéra-Comique and symphony concerts.

I continued to read all I could and was devoted to "Jean Christophe" by Romain Rolland. This lengthy work in ten paperback volumes was a book for idealists in the prewar period, an author's plea for peace between France and Germany. Rolland regarded them as the two great pillars on which Continental Europe rested. The chief character was modeled on Beethoven and the background was mainly the Paris scene of the first decade of this century. The book thrilled me then but has dropped entirely out of sight. I suppose it would seem hopelessly dated if one tried to read it now.

Anatole France was at the top of his vogue and I read him as well as the nineteenth century novelists. I quite fancied myself as a French scholar and was flattered if anyone complimented me on my knowledge of French literature. That was all very well till one of my best friends, a writer himself, took the wind out of my sails by asking me whether I had read Rabelais and Montaigne. I had to reply no, I had not. "Then," he said, "frankly, you do not know much about French literature." These two authors are not to be swallowed in a mouthful, but later I took my friend's hint and read them, Rabelais to my huge amusement, Montaigne to my edification.

I myself had literary ambitions at that time and wrote a few short stories and articles, some of which were published in American magazines. Pressure of events and conflicts of interest prevented my pursuing that course.

\* \* \*

One evening I went to the Gare du Nord to greet two eminent American professors. I had already met them in London and had liked them right away. They were authorities on nu-



trition and came as delegates to an Interallied Scientific Food Conference. I had been directed to render them any possible assistance during the meetings in Paris and Rome.

As I was escorting them to their rooms at the Ritz they asked me about air raids. I assured them there had not been a raid in the last ten days and that one could forget it. About that time a few bombs came peppering down. I wondered whether this might cast a cloud on any other information or advice I might supply.

The meetings, attended by British, French, Italian, and American delegations, were held in a dignified and adequate conference room in one of the ministries. There were several attachés like myself, one a Frenchman who knew English about as well as I knew French. We acted as interpreters, he from English into French, I from French into English. Aside from the sessions themselves, we all went our separate ways.

The purpose of the Conference was to discuss and if possible determine what supplies of foodstuffs the Allies required to carry on. They were all deficient in production due to shortage of agricultural manpower, fertilizers, transport, etc. The question was, how deficient? The matter was extremely important because shipping was of course limited, and transport of troops and munitions competed with foodstuffs for the available tonnage. Combat versus Calories.

The issue boiled down to this: How many calories do people in different walks of life really need? The delegates to the Conference were all scientists of reputation and devoted to the cause, but it soon became evident that there was a political factor involved. Our professors were "lower-caloric" men than the Europeans. The latter thought their populations

needed more intake than the Americans thought. And I think it was not by accident that Mr. Hoover selected our representatives.

At the conclusion of the Paris sessions we had a nice exchange of compliments, and the Minister of Agriculture gave a luncheon in one of the leading restaurants. Everything according to protocol. \* \* \*

Then we went to Rome.

As the train pulled out of the frontier station at Modane an Italian officer visited us in our compartment. He said he had been charged by His Majesty the King to welcome us to the soil of Italy, and that henceforth until our departure we would be the guests of His Majesty. The Italian railroads had been electrified and if anyone was interested it would be arranged for him to ride with the driver. On our arrival in Rome limousines would await us and would also be at our door every day. Suites at one of the leading hotels had been reserved for us. The meetings of the Conference would be held in the Capitol. When we had time between sessions, Commendatore So-and-so, the leading archeologist of Italy, would be happy to show us the Forum and other places of historical interest. The Queen invited us to a reception in our honor. His Majesty hoped that as his guests we would enjoy our stay in Italy.

The officer then bowed and withdrew.

We looked at one another in some astonishment and one of the professors said, "Simpson, do you think we should accept all this?" I replied, "Look. After this war we are going to be stuck with the bill. In the meantime let's take anything we can get."

The sessions resumed in the Capitol with Marcus Aurelius

on his horse supervising the proceedings. Such was the eminence of our two professors that the Conference ended with a rather "low-calorie" report. I believe that was the object of the game.

I found that even among low-calorie men there are low and lower. One of the professors mentioned the other to me and remarked somewhat tartly, "He says he takes only a roll and coffee for breakfast. But I watched him this morning and he ate two rolls with butter and put sugar and cream in his coffee. Now, Simpson, that's not just 'a roll and coffee'."

\* \* \*

Shortly after my return to Paris the great May 1918 offensive of the Germans occurred, and the Government again prepared to move to Bordeaux as in 1914. I asked for instructions and was told to follow the Government wherever it went. As the offensive was checked we all stayed in Paris and proceeded with our business.

During 1918 I made a number of trips to London for discussions and contacts with U.S. Food Administration officials there. At first I had to make the night trip on the *Le Havre-Southampton* boat. In today's terminology this was distinctly not in the VIP category. The Channel looked colder at night than it did in the daytime. One of my friends cheered me up, however, by assuring me that those boats were quite safe from submarine attack for the Germans needed them to shuttle their spies back and forth between France and England. Despite this obvious advantage I preferred the classical and more elegant Calais-Dover route and later managed to wangle a diplomatic passport and traveled that way.

\* \* \*

In London I was on the sidelines of the interminable wrangling among the Allies as to "who got what" of the available supplies. Everybody was short of everything and everybody was right from his own standpoint. War is a ravenous beast and there simply wasn't enough to go around.

By my British opposite numbers I was somewhat suspect of having sold my soul to the French. In fact one of them asked me what Government I was really working for, the American or the French. I replied, "Working as we all are, to win this bloody war." He was too polite to press the point or to say anything about late comers. Of course the food position in Britain was the most precarious of all, and the British bore the brunt of the submarine warfare. No wonder they felt strongly about their own case.

I must say that it has been my experience that many Americans who live long in foreign countries tend to become emotionally involved, either "going native" or nursing antipathy. On the other hand, W. S. Gilbert knew his own countrymen well when he wrote: "He remains an Englishman."

My stays in London were too brief and I was too preoccupied with, first, C.R.B. and, later, Food Administration matters to have a chance then to form intimate English friendships. I was on the run and my base was elsewhere. Happily I did have such opportunities later in life and made up for lost time.

\* \* \*

In Paris I was somewhat bothered by the arrival of visitors from Washington with strong letters of recommendation. I was asked to show them every attention and to assist them in their important missions. That would have been all right had

it amounted to a conversation or two, some introductions, and perhaps a lunch. They always seemed, however, to have prepared questionnaires for which I was requested to furnish the answers. These questionnaires were very much alike but just different enough so that I had to write a new memorandum in each case.

I noticed that the first two questions usually related to the area and population of France. "What is the area of France?" "What is the population of France?" Sometimes the order was reversed, population first and then area. As I was careful about following instructions I filled out the questionnaires faithfully although they seemed to me unsophisticated.

One day I had the visit of a young American of about my own age with whom I was acquainted. I asked him what he knew about these gentlemen who, I realized, must be important but who were a bit of a nuisance.

He told me he was surprised that I did not know about them. He said they were men who had got in people's hair in Washington but who had too much pull to be fired. So they were sent over "to investigate conditions in Europe." My friend's recommendation was to prepare a standard memorandum of basic information and to hand it to them, telling them that I did not have time to deal with questionnaires. I followed his advice and do not think anybody in Washington was the wiser.

Years later one of these gentlemen held a high position in the Government in Washington. I do not know what his other qualifications, if any, were but he was certainly well briefed as to the area and population of France.

\* \* \*

Curious things happen in time of war. My being attached to the two nutrition experts was a normal and orthodox occurrence. I was later farmed out for a short time to a man who had some sort of relationship with our Government although not a defined official status. I was picked because I was considered discreet. At this point I hope the incident is no longer classified.

This man had ascertained, so he said, that Switzerland's industrial exports were going about fifty per cent to the Allies and fifty per cent to Germany. In view of Switzerland's dependence on many supplies from abroad, and the Allied control of overseas traffic, he thought those proportions should and could be substantially altered in our favor. What he wanted me to do was to help him study the trade figures with a view to putting economic pressure on Switzerland and to obtaining for the Allies a larger share of Swiss production.

The project was to be very confidential and we worked in this man's apartment. We dug up all available statistics not only for Switzerland itself, but for all countries with which Switzerland had trade relations. We checked and cross-checked and double-checked as to how influence might be brought to bear. It was a rather Machiavellian scheme.

The Armistice came before I knew the outcome. Later, however, this man told me that at the end of the war our side was getting about eighty per cent of Swiss exports and Germany only about twenty per cent. I do not know whether this was correct and if so how much effect, if any, our exercise had. I do recall vividly the many hours I spent in that apartment poring over trade statistics with a view to putting the thumb-

screws on Switzerland. It was rough play, but that is war.

\* \* \*

My good friend the representative of the C.R.B. in Paris was in close touch with the Foreign Office and told me of a slight dilemma in Franco-American relations. As a propaganda gambit the City of Orléans had invited a delegation from New Orleans to make a ceremonial visit. The French Ambassador in Washington had cabled that one member of the New Orleans delegation, a man of French origin but a naturalized American, had been an outstanding supporter of France both before and after we entered the war. He should be received with special ceremony and decorated with the Legion of Honor.

Unfortunately, however, the man had as a bitter enemy one of the French diplomatic officials located in New Orleans. This official had also cabled the Quai d'Orsay to the effect that the man in question was still a French citizen under French law, therefore a deserter, and that on arrival he should be arrested and treated as such.

My friend thought this was a good joke on both New Orleans and the Foreign Office. I suggested that the solution might be first to decorate the man and then shoot him. My friend did not think that would do, as it might get the visit off to a bad start. He said it was up to the Foreign Office to find another way to mollify all concerned and that that was what diplomats were paid for anyway.

\* \* \*

Early in October the C.R.B. representative left on a trip to America. It was arranged for me to handle his office as well as

my regular job for the Food Administration during his absence. I spent the mornings at the C.R.B. headquarters, Avenue de l'Opéra, and the afternoons in my office at the Embassy. The C.R.B. work included carrying on relations, to a large extent routine, with the French Foreign Office and some of the other ministries, and also acting as a sort of liaison between Paris and London. I liked it although it kept me jumping in and out of taxis between the two offices.

During this period I frequently lunched at one of the French clubs, in which I had been accorded a wartime membership. It was inexpensive, as there was a gambling room on the top floor, the profits of which paid most of the costs. What impressed me particularly was that the older members all wore bowler hats and never took them off. We had a jolly table of Englishmen, Americans, and some French officers, but I am not sure that we were regarded with favor by the senior group. Sitting at their long luncheon table with their black suits and bowler hats, they looked like crows on a rail. At the end of the war our courtesy memberships in this solemn club lapsed, but a French-British-American group, more freewheeling, formed the Union Interalliée. They invited me to join, which I did, and I am still a member. You take off your hat in this club.

\* \* \*

Then the Armistice came and after that everything was changed. The old operations were on the way out and the old organizations were soon to be dismantled. A new vista of postwar problems opened up. President Wilson arrived for the Peace Conference. I stood on the Champs-Élysées and saw him make his triumphal entrance into Paris. He had the

world in the palm of his hand at that moment; I little realized how quickly he would let it slip through his fingers.

Mr. Hoover also arrived and soon appraised the economic distress and popular upheaval in Central and Eastern Europe. The enemy, now defeated, became a source of concern on both humanitarian and political grounds. To deal with this critical situation Mr. Hoover set about establishing the American Relief Administration, which became the outstanding stabilizing influence in Central Europe during the early post-war period.

\* \* \*

And what about me?

Of course I was eager to take part in the new order of things. I immediately joined the American Relief Administration and helped recruit C.R.B. veterans, who began to appear from all points of the compass. The natural thing would have been for me to remain in Paris, where it was suggested I might be in charge of a central bureau for collecting and analyzing information on the food situation all over Europe.

Now that the nations were more or less at peace, however, the ants in my pants went once again on the warpath. I asked to be sent on a mission to Central Europe or the Balkans. This time I managed to maneuver myself out of Paris, that great and glorious city at its apex, into the dismal wreckage of Central Europe. After all, there is nothing like being young!

\* \* \*

Personal and social relations with the French had been at the outset not quite as free and easy as those with the Belgians. This was natural because in Belgium we were regarded as saviours, whereas in France we came as associates in the

latter part of a long drawn-out struggle. There had to be a period of getting acquainted. Once I was over that hurdle, however, my French friendships were among my closest and most lasting.

During the course of my life since then I have been many times in France, often on business, always with pleasure. I have seen France over the years in its ups and in its downs and have witnessed Franco-American relations move from good to bad and from bad to good. Another war, more terrible in many ways than the first, has come and gone. Most of my old friends there are gone too, though fortunately I have gathered some new ones along the way. It is a long time ago that I arrived at the Gare de Lyon that April morning and had my first view of Paris.

Yet even now, after all these many years, I have a nostalgic twinge when I recall one of my French friends of those days introducing me to one of his friends as "*Monsieur Simpson, le plus français des Américains.*"

# Central Europe & Thereabouts

On new year's evening of nineteen-nineteen we left by train from the good old Gare de Lyon headed for Belgrade. It was about six weeks after the Armistice.

Various Red Cross and other parties had already gone from Paris to the Balkans but all, as far as we knew, via Trieste and through Allied territory. It was thought well to explore the Vienna-Budapest route as an alternative and to gain an idea of what to expect in those parts. So we had the privilege of being the first of the American Relief Administration to undertake the Belgrade trip through enemy countries. One of my bosses cheerfully promised that if after two or three weeks nothing was heard from us they would send out a search party.

Again my companion was a captain. This time an American. He had been with an engineer regiment which had developed a military tradition about on a par with the Coldstream Guards' and a pride almost equal to that of C.R.B. delegates. One of his qualifications which was pointed out to me before we left was that he knew Spanish well. He was a good fellow and a first-rate comrade in tough spots.

By some unhappy chance we had acquired as interpreter a doughboy, as our soldiers were then called, of Croatian descent. (The spoken language in Croatia, Serbia and other parts of Yugoslavia is more or less the same.) This young man was something of a psychological curiosity, being the only verified case on record of a negative I.Q. It was clear to me that with the captain's Spanish, my French, and the inter-

preter's total illiteracy and incoherence in any language we were admirably equipped to deal with people speaking German, Hungarian and Yugoslav.

\* \* \*

Before leaving Paris I had asked my friend the captain whether his and the interpreter's travel papers, visas, etc., were in order. He indicated that his engineer officer status was sufficient and declined any assistance. Unfortunately, the French frontier control at the Swiss border took a different view and refused to let them out of France. By a miracle I was able to phone someone in one of the ministries in Paris and got clearance for them. I have forgotten how we managed to talk our way out of Switzerland. I will say for the captain, however, that once we were in Austria he was absolutely right. An American officer's uniform was the best passport one could possibly have, for the doughboy and me as well as for himself, and we never showed another paper on the entire trip.

I have mentioned that the trip would take us through enemy countries. The trouble with that was that Austrians are not very good at being enemies. At the first station beyond the Austrian frontier we saw a huge banner with the one word, "*Willkommen*." The ride by slow train to Vienna was interminable and uneventful, and the one incident was caused by a character in Tyrolean costume who hung an enormous set of antlers in the toilet. These dangled threateningly over the head of any temporary occupant all the weary way to Vienna and occasioned some complaints on the part of the other Austrian passengers.

\* \* \*

We found a couple of Americans in Vienna and two or three more political-economic explorers in Budapest. As these had penetrated "farthest east" they detracted from our pathfinder fame. We still had, however, the Budapest-Belgrade stretch ahead of us and that is where we ran into nature in the raw.

Budapest, vastly overcrowded, was in a state of utmost confusion. The clamor in the station was like the noise of the Tower of Babel. Anybody in any particular spot in Central Europe apparently wanted to be elsewhere and was striving to get there. Our train was overloaded with people: the compartments, the corridors, even the roofs of the cars. The American uniform certainly came in handy!

We traveled over the great Hungarian plain, the famous "Pusta," home of wild horses and wild women. We did not see any of either. We were hungry and ate the remnants of a roast chicken we had scrounged in Budapest. Night came but no lights. People began singing Hungarian and Slavic songs. A strange world. Nothing like this in Paris.

Eventually, along toward midnight, we arrived at a town called Novi Sad by the Yugoslavs into whose hands it had fallen. We searched and finally found something which was supposed to be a hotel, with one room for the three of us. We were still hungry and when we asked about food were told that all they had was boiled eggs and brandy. After a little thought we decided to order some boiled eggs and brandy. They tasted fine. Our room was equally good. It had three beds with springs but no mattresses or blankets. We wrapped up in our overcoats and before long it was daybreak.

\* \* \*

Early that morning we walked down to the Danube and boarded a small steamer. We had plenty of company. Some people, of course, but mostly a large contingent of farm animals, dogs, chickens, and whatnot. Man and beast strolled aboard in a most informal and casual way. I did not see any trace of a ticket or collection of fare. Who was picking up the tab I never knew. Perhaps it was a free community service. As in Budapest, it was a department of utter confusion.

The trip down the Danube, about fifty miles, was pleasant enough. Much better than that train. After a while we came to the junction of the Sava River and there on a high bluff stood Belgrade. It was a grand sight, best seen from a distance as I later discovered.

We went ashore just eleven days after leaving Paris. Air France does it in two hours and twenty minutes.

Belgrade even before the war was simply an overgrown village, and the war had not done it a bit of good. The main street was a muddy track. Sheep, goats, hogs and fowl mingled with the citizenry on the principal thoroughfares. Aside from the general wear and tear, the Austro-Hungarian troops had committed a good deal of vandalism before withdrawing. It was a mess. The weather was cold and damp and soon after our arrival we had a blizzard which left a thick blanket of snow during the rest of the winter. There was naturally a fuel shortage and we were always cold. I settled down to make the best of it.

\* \* \*

Our organization was headed by a colonel, and his first assistant was a major. I was third in command, which I thought put me in a fairly junior and sheltered position. My superiors

were unquestionably two of the ablest and most effective men I ever knew. The colonel took one look at Belgrade and in almost no time at all got himself transferred to a more salubrious post in Western Europe. The major stayed somewhat longer but not much. Which left me monarch of all I surveyed. This caught everybody, including me, by surprise. Thinking some of the U.S. Army officers of our Mission might be difficult to handle, I had the major before he left make out the order for my appointment in several copies, all but one of which I put in my pocket. This was just in case the original posted on the bulletin board should mysteriously disappear. Nothing like that happened, however. I think they all sympathized with my inability to follow in the wake of the colonel and the major. It was like the sign on President Truman's desk, "The buck stops here," with the difference that in his case the buck passed *up* to him, whereas in mine it passed *down* to me.

\* \* \*

The personnel of our Mission built up considerably and before long we had several American captains and lieutenants, two Serbian officers, three or four Serbian interpreters and clerks, two French stenographers, and two American soldiers. Quite a little group. As soon as I found some Serbs who knew French I got rid of our doughboy interpreter.

With the increase in personnel we had a housing problem since Belgrade like all other cities and towns was badly overcrowded. With the help of the Serbian interpreters I looked around and found one house which seemed like a good prospect. The owner had died and the house had been locked up ever since the departure of the Austro-Hungarians. We opened



slavia would help out by sending some of this available surplus grain to Austria, the A.R.A. might be obliged to cancel deliveries to the hard-pressed Dalmatian Coast.

The Prime Minister was sitting alone in a bare room next to a potbellied stove like those of our old country stores. He was wearing earmuffs because even with the stove the room was cold. He did not in the least like the idea of sending aid to a country with which he had just been at war. Also, he knew very well that what I was saying was so much poker. So he calmly answered my warning by remarking that that might be the best solution of the whole problem. Then we would have nothing left to argue about. How can you possibly bluff a man like that?

\* \* \*

The Yugoslavs were perhaps the most difficult people I ever dealt with, and I liked them immensely. Their spirit is absolutely unconquerable, as the Turks found out during four centuries of political domination and the Russians have more recently discovered. Their legends live in their minds and spirit. I read a little history and a bit of poetry (in French translation) and if ever I indicated that I knew something about Marko Kraljevic or the Field of Blackbirds I was at least one step on the way to making a friend.

Some of us were presented to the Prince Regent, who was extremely cordial but seemed a bit uninformed. Poor fellow, years later as King Alexander he was assassinated in Mar-seilles. What was much more fun than being presented to royalty was being entertained by a Serbian family at an evening party. Delicious pastries were served and gallons of white wine. There was a dance, the kolo, a sort of shuffle in which

it to have a look. What we found was staggering. Before the troops departed they had turned on every water faucet in the house, had broken a number of pipes and had left the place in a full state of flood. This had gone on for months. The result was that all the walls and ceilings were dripping wet; it was a veritable quagmire. I should have been disgusted, and was, but I also had to laugh. Whether the house could ever be used again I have no idea.

\* \* \*

Our responsibility at Belgrade was twofold. First, we had to see what food, if any, was needed in that area and what should be supplied. Second, as Belgrade was the capital of the entire new Yugoslav country, it was the central point for dealings with the Food Minister and other officials including sometimes the Prime Minister.

My senior in Vienna told me to ascertain what supplies were available in the former Hungarian "counties" which had been taken over by the Yugoslavs. I was directed to send out a team of newly arrived American lieutenants to obtain the information. This project was a fiasco, but that did not matter for it was well-known that those were rich grain-producing lands. In fact it soon became apparent that while there were severe shortages in the interior of Yugoslavia and on the Dalmatian Coast, this Belgrade area, with the annexed Hungarian territories, was actually in substantial surplus.

As the American Relief Administration was having much difficulty moving enough food into Austria to stave off collapse, I received a new directive. I was to call upon the Prime Minister and tell him as politely as possible that unless Yugo-

we joined hands and danced all over the house, upstairs, downstairs, everywhere. I was the only outsider present, all the others were family and friends. At one point some of the men lifted me onto their shoulders and carried me around. However, they were not really carrying me, I was merely an effigy. They were carrying Wilson, whose blunders had not yet caught up with him and whom they still admired.

About two o'clock it suddenly dawned on me that since I was obviously the guest of honor those hospitable people were not going to break up and go to bed until I left. So I hastened to my hostess and began apologizing for staying so late. She was appalled and asked me whether anyone had offended me. Of course I protested that nothing could be farther from the case. Then she asked me why I wanted to leave. I said I was afraid I was keeping them all up. She said that was nonsense, at parties like that they never broke up till about six o'clock in the morning. At my age and in my mood that suited me marvelously. When I finally left I felt I had spent one of the merriest evenings—nights I should say—in my life.

\* \* \*

Due to its function as a port Trieste assumed increasing importance in our Balkan operations and I made a trip there for consultation. I rode in the special A.R.A. car. It was the very one in which Archduke Franz Ferdinand had made his fatal trip to Serajevo in 1914, the trip which triggered the World War. I wondered what he would have thought could he have seen a young American commoner in casual possession of the Imperial private car. It was but one instance among the many fantastic paradoxes of those days.

The trip in that Austrian car was in the nature of a symbol,

for I was about to quit my post in Belgrade. Unlike the colonel and the major I had not artfully manipulated a move, but had been sent for by the Director General of Relief in Central and Southeastern Europe to come to Vienna as his assistant. Much as I had come to like my Yugoslav friends I was not sorry to leave Belgrade.

\* \* \*

As my chief's title indicated, Vienna, capital of the new Republic of Austria, was the A.R.A. control point for Central and Southeastern Europe, and my chief was the controller. He was of course a captain. I spent the war collecting captives, although they were all civilians fitted out with uniforms. I should have called these notes "Captains Contagious."

This one, however, was special. His military rank was modest; all else about him was anything but. In the first place he was the principal A.R.A. representative in that part of the world. He was a man of exceptional intelligence, complete moral and physical courage and unlimited brass. He thought nothing of sending word to Admiral So-and-so to come to his office "at three this afternoon." The admiral would be there on the dot. Along with the food problem there were innumerable political and diplomatic stresses among the so-called Succession States of the old Empire. On one occasion of a difference of opinion with an American colonel in a neighboring state, my captain received the colonel in bed, à la royal *levée*, and laid the law down to him. The colonel was glad to get away intact. Working for this man was not always pleasant but it was a unique and sometimes electrifying experience.

\* \* \*

Yugoslavia was badly in need of salt and that was one thing which Austria had. It was therefore arranged for me to take a trainload of salt, seventeen cars to be exact, and deposit it in the Prime Minister's lap in Belgrade. The hope was that this might soften him to the point where he would let us have some of that grain.

No sooner said than done. I picked up a nice private car (not the Archduke's this time) and hooked up with my salt train at Graz. I had a combination porter-cook and sufficient supplies for the trip. However, I did not have much German and practically no Yugoslav. This proved to be a handicap for I had to obtain a new locomotive from time to time at division points, and if you don't know how to ask for a locomotive how are you going to get one?

I had to resort to expostulation, and the less articulate I was the more I expostulated. In most cases I managed to convey the idea that I was the direct representative of President Wilson and had every intention of reporting the treatment I received. I even threatened to break off diplomatic relations between the United States and Yugoslavia. Somehow, some way, I always managed to get a fresh locomotive. In one case, however, there was delay because although a locomotive had been set up for me, a Yugoslav Minister came along and snatched it. They had to produce another. As many of these arguments and negotiations occurred in the middle of the night, I did quite a bit of sleeping in the daytime while we were rolling. About halfway across Croatia disaster struck. One of the cars developed a hotbox. After much discussion the train crew and I decided the only thing to do was to cut out

With the help of the U.S. Navy we controlled a network of communications, telegraph and telephone, over most of the Continent. More than two hundred telegrams a day passed over our desks. Sometimes I stopped by the office in the evening to see what night wires our people all over Continental Europe were sending one another. When our facilities were not overloaded we made the service available to the Allies, and it was amusing to watch a navy operator transcribe accurately a message in French without the slightest comprehension of its sense.

I had something to do with running the office, helped by a couple of officials from the Austrian Railway Ministry who were attached to us. We found we needed some doormen and messengers and one of the Austrian advisers rounded up a few candidates. One of these stood with exceptional self-assurance and looked me straight in the eye. He was not exactly impertinent but, unlike most of the others, not at all abashed. I told him to wait outside and as soon as he was gone my Austrian adviser strongly urged me not to engage him. I asked, "Why not?" My adviser said he was too fresh. I admitted that he was a little fresh but I liked him and I hired him. More of him later. \* \* \*

One of Mr. Hoover's basic principles was to get a normal flow of trade started among the remnants of the Austro-Hungarian Empire. We knew about the grain surplus in the area north of Belgrade and were still determined to move some of it toward Vienna if at all possible. As my bout with the Yugoslav Prime Minister had been conspicuously unsuccessful it was decided to try a different tactic.

the car and leave it, which we did. Now a carload was a lot of salt for the small town where we left it, and for all I know those people or their descendants may still be eating it.

\* \* \*

I was eager to arrive at Semlin, the railhead across the river from Belgrade (the bridge was down), on a Sunday evening so that I could make my bow to the Prime Minister Monday morning. The crew's time was up one station short of our destination and they refused to go farther. I bribed them and they got drunk on the money. I gave up and went to bed. There are, however, miracles in this life. On awakening in the morning I found to my amazement that we were in Semlin! I must have been living right. The trip had taken four days.

I was received by the Prime Minister, who had taken off his earmuffs by then, and explained to him what a fine thing it would be for Yugoslavia to have a good stock of salt. I said I thought the Austrians would supply some as part of bilateral trade relations. The Prime Minister was skeptical and asked sarcastically when he might expect to receive some of that salt. I said something to the effect, "Mr. Prime Minister, I have sixteen cars of it for you across the river at Semlin."

Whether he sent that same set of cars back with grain I do not recall, but the much needed trade relations did gradually begin to open up.

The porter was quoted as saying of me, "He is a good man, but he has no idea of the German language and he sleeps all day." What more could I ask?

\* \* \*

The terms of the proposed Austrian Peace Treaty hit Vienna like a thunderbolt. The Peace Conference in the fullness

of its wisdom was about to impose on the new Republic the entire burden of the Austro-Hungarian Empire's "war guilt." Austria, what was left of it, was an unbalanced little country with a population of about six million of whom nearly two million were in Vienna. The other parts of the former Empire, the so-called Succession States, contained the major shares of both industry and agriculture. Austria was almost like a head without a body. It was pathetic to see grown men weep as they read the Draconian terms which were to be inflicted on them.

Anyone with ordinary common sense who spent as much as a month or so in that part of the world could perceive the folly of this policy and could foresee the unhappy results which were sure to follow. I had a big map tacked on the wall of my office and with a pointer in hand I held forth to newcomers on the political geography of Central Europe: heavy industry, textiles, timber, coal and sugar in the north; grain and cattle in the east; water power, diversified agriculture and light industry in the west; iron ore, magnesite and other minerals in the south; Trieste a splendid port; Vienna the pivot point of rail and river transportation and the center of finance and insurance.

My listeners usually left shaking their heads thoughtfully. What a beautifully balanced economic complex it had been and what a shambles it had become! The almost hysterical admiration and affection in which Wilson had been held were fast fading as people realized that his academic clichés were no match for the cynicism which the other Powers brought to the Conference.

At the same time that this bad news had to be digested the

inflation got under way. That story has been told so often that there is no need for me to repeat it here. It was sad to be there and witness the impoverishment of the middle class and the accentuated poverty of the poor. Our role was to alleviate this distress by bringing in as much food as feasible and assuring its equitable distribution.

It was notable that in defeat and misery there were no sporadic revolutions such as occurred in Germany after the war, and relatively little social disturbance. On one occasion communist demonstrators exchanged shots with the police and about a dozen people were killed, but this was an isolated instance. There was nothing like the brief Bela Kun communist regime in Budapest. \* \* \*

We had the best possible official and personal relations with the Government, especially the Foreign Office and the Food and Railway Ministries. It took us about a week or two of exposure to get over the idea that those people were still "enemies." They quickly became associates and friends. A typical gesture on the part of the Government was to assign to the A.R.A. one of the best-boxes at the opera for every performance. Despite the general distress the opera was still in its glory and we were thoroughly spoiled by being able to attend as often as we liked.

It was then that I went to plenty of operas and at last settled my account with Wagner. The Vienna repertory was quite different from that of Paris; some of the favorites of the Opéra-Comique were rarely if ever played. Richard Strauss conducted the Meistersinger and I liked it better than the

Rosenkavalier. Long before the New York Metropolitan knew Jeritza I saw and heard her sing the famous aria from the second act of Tosca lying flat on her back on the floor. A stunt, to be sure, but what a woman!

After a while, however, I discovered that as to symphonies and chamber music as well as opera, Vienna was really a Mozart city. Beethoven, Haydn and Schubert were among the chief contenders. If you wanted to make a hit with a pretty girl of musical background, you did not talk about Lohengrin, and certainly not about La Bohème, but did refer to Don Giovanni and the Marriage of Figaro, or Fidelio.

In fact one also had to be careful with those good-looking highbrow girls in matters other than music. I once made a real hit by letting it be known that I was reading "Wilhelm Meister" in German. Then I spoiled everything by saying, when asked whether I liked it, that I did indeed, "But why doesn't he do something?" Just an American after all! Wants everybody to do something.

Schnitzler in Austria, like Anatole France in France, was considered avant-garde in those days, and his plays were popular. He has fared the better of the two, for Schnitzler theater is still to be seen in Vienna. Unfortunately many other amusing shows were in Viennese dialect, which sounds enormously funny but was and is utterly incomprehensible to me.

So in spite of the grim political-economic situation, there was much entertainment for those who could afford it. We young Americans were naturally in better spirits than most of the Austrians. For us the war was a thing of the past and we looked forward to our own futures with confidence. H.G. Wells

sonofabitch, pin his ears back, ram his teeth down his throat and kick him in the place where it would do the most good. "Now translate that," he ordered the lieutenant.

The lieutenant was a singularly mild young fellow and what he said in French came out something like this: "The colonel begs you to observe that if you wished to have the kindness to discuss with your honored associates and countrymen the possibility of studying the moderation of the imports of truffles for the time being...."

"That's right," shouted the colonel, "that's just what I said and I mean every word of it!"

\* \* \*

It is remarkable what a communications gap a thousand miles can represent despite all the mail, telegraph and telephone facilities which may be available. It seemed to us on the spot that there was an unbridgeable space between Central Europe and Paris. This was to some extent typical of the relations which always exist between the "field" and the "home office." In the days of the Peace Conference the communications gap seemed as immense as the Grand Canyon of the Colorado.

It existed even in our own organization. Once I gained monetary prestige by advising, "Never give Paris two ideas in the same wire. They simply can't cope." Had I stayed in Paris in a headquarters job I would no doubt have been saying, "Look at this nonsense they are wiring us from Vienna!"

One of my French friends was a writer and I urged him to come to Vienna, write a book about it, and act as interpreter between Central and Western Europe. He did come, spent

had then published his "Outline of History" and we read it with assurance that we would go on making history ourselves.

Life had been too hectic for me to continue the writing I had begun in France. Nevertheless I still occasionally wondered whether I really wanted to try to be an "actor in" or an "interpreter of" the world scene. Sometimes events take over and that is what happened to me.

\* \* \*

If for obvious reasons we Americans were popular in Austria, the Italians certainly were not. That was natural since they were the allies who changed sides in mid-war. This general atmosphere furnished the background for the "Battle of the Truffles."

While we were struggling to get some essentials into Austria and to help restrain the outflow of foreign exchange which was undermining the currency, certain Italian interests in the truffle trade wanted to do business as usual. As there were also Austrian speculators and black marketeers, the truffle traffic began to flourish. This was objectionable to the personnel of the A.R.A. and a fiery colonel on our staff decided to take the matter into his own hands. He summoned one of the leading Italian officers in Vienna for the purpose of exposing his views on the subject. The difficulty was that the colonel knew no Italian and the Italian officer knew no English. As the latter knew French, however, a young American lieutenant who spoke French well was called in as interpreter.

Our colonel was furious and so expressed himself. He said something to the effect that if the Eytalians did not stop their truffle imports he would find the guilty sweet-scented

several weeks with me and others, and wrote a very good popular book on the local scene. It did not really serve the purpose I had in mind but did give a vivid and occasionally amusing picture of people and their antics.

His method was to use different persons whom he knew or met, as representative types. Thus, the Government official, the banker, the speculator, the British officer, etc. I realized he would surely fasten on me as "the American." When the book appeared what was my astonishment to find the American saying: "With the dollar and a revolver you can go everywhere."

When I next saw my friend in Paris I chided him, reminding him that I had never owned a revolver in my life and very few dollars. And what sort of caricature of an American was that anyway? He looked sheepish and said that, well, the book had to sell and that was what the French public expected an American to be like!

\* \* \*

If the Austrian Republic was inflating the currency, it had certainly deflated the nobility and aristocracy. Those members of the bygone regime did not know what had hit them. As a class they were more accustomed to receiving than to giving, and we seldom saw them except when they wanted favors.

There were of course exceptions. One such was a young archduke whose wife was a charming lady of a prominent Zagreb family. They were friendly, witty, and the best of company. We taught the archduke, to his delight, to sing

"There was a little chicken and it had a wooden leg." I hope he made his way in the new life which lay ahead of him.

My best and most lasting relationships were in the Government, professional and business worlds. Those were the people who saw the trend of events most clearly and who labored most conscientiously on behalf of their country. In the child feeding phase of the program the pediatricians gave generous and indispensable help. During those troubled times of economic and political crises we had the cooperation and support of many Austrians and I learned to hold them in esteem and friendship.

\* \* \*

By the middle of 1919 we were directed to start winding up the A.R.A. organization preparatory to getting out of Central Europe. This was the worst news the Austrians had received since the Peace Treaty terms. Despite their grievous disillusionment with Wilson they looked upon Americans as their most reliable friends and were dismayed at the idea of our departure. The die was cast, however. There were some discussions and some delays but by August we began to close up shop.

That could not be done in a moment. The A.R.A. had at its peak about two hundred men in Central Europe. Dismantling all their operations and moving them physically toward home was itself no small task. It was done, however, and soon only a few of us composed the rear guard.

\* \* \*

At that point I faced a personal problem. What was I going to do? I had been saving the world for a number of years and

it seemed timely to think about saving Simpson. A feeding operation to stave off famine in Russia was in prospect and I might have entered that, as did some of my good friends. I felt, however, that I had personal responsibilities and should start attending to them.

One of my oldest and best friends, also a member of the Hoover organizations, was in much the same position and similar state of mind. In addition he was married, which he felt precluded his going to Russia. So we took counsel with each other and soon realized that our obvious course was to go back to the United States, get jobs, start at the foot of the ladder and work up. That is what a number of our friends and associates were doing.

As we considered this, however, the idea of starting at the foot of the ladder appealed to us less and less. For years we both had been at least a few rungs up. The bottom seemed quite a way down. On reflection we came to the conclusion that it would be much more expeditious and rewarding to start high up. In that way we would save much time. The more we deliberated the more we convinced each other that starting as near the top as possible was the sound course. Once that decision was taken the only problem was how to implement it.

To approach some wealthy prospect with the announcement that we wished to start in business at the top of the ladder might not be sufficiently convincing. We would have to find another idea to go along with the first. We found it. Drawing on our assets, our knowledge of Central Europe, rather than on our liabilities, our ignorance of business, we de-

termined to put our feet on one of the upper rungs by selling grain to bankrupt Governments. As we understood that bankrupt clients and customers were not generally considered the most desirable, we believed that we might have a field relatively clear of competition. There appeared nothing to it except to put the whole concept into effect.

\* \* \*

This was not quite so foolish as might seem. Actually it was not foolish at all, as events proved. We were well acquainted with conditions in Central Europe and aware of the ramifications of the Russian Revolution. While this was a period of withdrawal on the part of the victorious nations, especially the United States, we were convinced that when the chips were down the Powers would not let those countries starve. That meant that funds would be forthcoming for the purchase of supplies and that somebody would handle the purchasing. We proposed to play that role.

One of our old friends, also the C.R.B., had formed a company in New York for the export of commodities, principally grain. We made a deal with him under which we were to negotiate contracts with the Austrian, Polish, and if possible other Governments, in return for which we would receive salaries and expenses and a participation in the profits. We entered into a partnership with each other so that it would be a joint undertaking.

These arrangements did not exactly meet all our desires for we were not entirely independent. We were, however, semi-autonomous. Furthermore, we determined that if we accumulated some capital we would strike out on our own and build



for him to leave and if I would walk home with him we could have our talk on the way. So we crunched through the snow of Warsaw at one o'clock in the morning and had an extremely cordial and satisfactory discussion. The Minister promised that on his arrival in the United States he would be happy to meet my partner and the head of the New York company and would use his influence on our behalf. Well, that was the purpose of my call, so I had no complaint.

\* \* \*

The Polish deal was by no means so easy as the Austrian due to the fact that other interests in America had awakened to the possibilities and were getting into the act. My partner, then in New York, and the head of the New York company were doing their best to support the Warsaw negotiations. I awaited anxiously an official cable which would strengthen my hand with the Polish Food Minister.

This gentleman had a remarkable way of making appointments. The day was always Wednesday, and the time between twelve and one. The special feature was that about twenty appointments were made for the same time. Three or four people got into his office, the rest were given new appointments for the following Wednesday. I had been thus put off from week to week.

When my next Wednesday appointment came due I felt desperately in need of that official cable, which would arrive at the Foreign Office if it arrived at all. That morning I called on a young Foreign Office official with whom I had struck up a friendship, to find out whether the cable had by any chance arrived. Yes, it had! I was delighted and asked him whether

a great trading organization along the lines of Balfour Guthrie or Jardine Matheson. We were not modest in our hopes and aspirations.

It was decided that I would make my base in Vienna and my partner his in Warsaw. Each of us wanted to pay a visit home and it seemed logical for him to go first. I remained and quickly signed up the Austrian contract, which was easy in view of our A.R.A. background.

\* \* \*

Then I went to Warsaw to lay some foundation for a Polish contract. If Vienna was a city "somewhere in the east" as a French lady once said, Warsaw was all that and more. The logic and order of the Western world never had penetrated that far.

I had an appointment with a distinguished prince, the newly designated Polish Minister to the United States, to discuss our proposed contract. The time was set for 5 p.m. and I arrived punctually. I was received at once and most courteously. There were, however, several men already in the room and the Minister asked me to wait a few moments. Unfortunately before the first group left some more arrived, so again there was to be a delay. I made myself comfortable. The same thing happened time after time. Occasionally the Minister came over to me and apologized. When I looked at my watch I was astonished to see that it was nearly nine o'clock.

At that point the Minister took the bull by the horns and said I must dine with him so that we could have a quiet talk. I did dine with him, but so did half a dozen others. The evening wore on. After midnight the Minister said it was time

he would get it to the Food Minister at once. He said he would like to but had no means; it would have to go by official messenger and that would take a day or two. I said, "Please let me take it." Oh no, that would never do, it must go in the hands of the Foreign Office messenger. "All right," I said, "give it to the messenger and let me take the messenger." He was a good chap and after a little thought he agreed.

So I packed the messenger into an open sleigh, drove to the Food Ministry, had the messenger hand over the cable to the Minister's functionary, and in a few minutes I was ushered into the Minister's office ahead of the entire throng in the anteroom. He blandly announced that he had just received a cable from Washington and would like to discuss it with me. So I had at least a foot in the door.

My partner returned from America shortly thereafter and it was he who closed the Polish deal and from then on handled our Warsaw business with conspicuous skill and success. Throughout our whole relationship, in good times and bad, we never had a quarrel or a word of recrimination. He supported me when I was in trouble and I tried to do likewise for him.

Riding around in those open sleighs in Warsaw I acquired a frozen toe, but back in Vienna a cute little nurse dropped in occasionally to help me bathe it in lukewarm water and under her gentle ministrations I recovered.

\* \* \*

About that time we included a third business associate, another old friend. He was to concentrate on the Balkans as part of our long-term plan. With him also we had nothing but the

happiest of personal relations in fair weather and foul. I continued to deal with Austria, making headquarters in Vienna and many trips all over Europe. We handled millions of dollars of business and how we avoided ruining all concerned, especially ourselves, I do not know. From Brentano's I ordered books on the import and export business, with copies of documents. Somehow, by the grace of God, we never had a costly slip or serious trouble.

I do recall once receiving a cable from New York about credit terms which I was sure would infuriate the head of the Austrian Grain Department. I held up the cable all morning and arranged for it to be on his desk *after* lunch, on the theory that nobody is as angry on a full stomach as on an empty one. Then I left town for two days with instructions that no one was to know where I had gone or how to reach me. When I returned the worst of the storm had blown over.

In the middle of 1920 I made my trip to the United States but was glad to be back on the job. We were all three earnestly engaged, not able to foresee that our time was running out.

\* \* \*

The chap I had hired in A.R.A. days remained with me as my general factotum throughout the time I was in Vienna. He was the premier natural-born "fixer" I ever knew. He had an uncanny way of making the best possible arrangements for me or for anyone he liked. But woe betide the man or woman who incurred his disapproval. That unfortunate had the middle seat facing backwards in the last compartment on the train, in the restaurant the table next to the kitchen door, theater seats in the last row on the side, a doctor's appoint-

ment at eight o'clock in the evening; and if a cable was to be sent, it just missed the cable window's closing time.

He was not bashful. Once I asked him to get me two tickets for the symphony to which I was escorting a lady. When we arrived I found he had bought himself a ticket for a seat alongside us. I commented unfavorably on this the following morning, and he told my secretary that I was not feeling well.

On one occasion the president of the New York company and his wife were in Vienna and needed urgently to return to Paris. Each train carried only one sleeper, and compartments were sold out weeks or months ahead. I told my aide-de-camp that these people must be on the Paris sleeper that evening. He returned later to report that it was impossible, everything was booked solid. I asked him why he had not bribed the conductor to ease a couple of passengers off the train. He said he had tried, but that the conductor had cold feet. I said, all right, I understood, now would he please go and get the reservations. He looked me in the eye just as he did the day I hired him, turned on his heel and walked out.

After about two hours he returned with the tickets. I congratulated him and asked how he had managed. He said he had gone to the railroad yard and examined the cars. Some sleepers had twelve compartments and others fourteen. The car scheduled for that evening had twelve. There was, however, another perfectly good car in the yard with fourteen compartments. So he had persuaded the conductor to switch cars and to sell him one of the extra compartments, disposing of the other also for his, the conductor's, own account. As I

write this it seems incredible, but one must remember that we were still living in the aftermath of the war.

This loyal and ingenious assistant made contacts while he was with me, later went to Panama, became a prosperous merchant and a leading citizen, and was my lifelong friend. It was a sad blow to me when he died. I wear a Movado watch he gave me, engraved with the date 1919 and our initials.

\* \* \*

One of my vivid and happy memories of the later days in Vienna is of a cozy picnic in the *Wienerwald*. A young lady and I, having had our lunch, were sitting in a pleasant meadow overlooking one of the lovely valleys of that region. We were reading "Thus Spake Zarathustra" in German. I still had illusions of improving my mind and my German. The young lady, I later discovered, did not really care much for Nietzsche but she was willing to pamper me to that extent.

To our bewilderment we were suddenly approached by an official-looking personage with a visored cap and a black briefcase hanging over his shoulder. He was polite but firm as he told us that by sitting in that meadow we were in flagrant violation of the law. Just sitting in the meadow was illegal? Yes, it certainly was.

I was most disconcerted, not only from my own standpoint but especially at the thought of causing embarrassment to the young lady. I asked the man what the penalty would be and he said we would be fined. So I had visions of our both being haled into court for sentencing. Then I asked what the procedure was and where we would have to pay the fine. He re-

plied that we could pay him right then and there. That was what the black briefcase was for. I began to feel better. When I asked him how much this fine was he named a large sum in Austrian Kronen. It was, however, the time of the inflation and the dollar equivalent was a few cents. I settled promptly.

By that time our relations had become quite friendly and I told this minion of the law that we were sorry we would have to leave such a charming spot. He assured us there was not the slightest necessity for our doing so; we had paid our fine, everything was in order, and he hoped we would enjoy the rest of the afternoon. We shook hands, he touched his cap and departed.

On one of my later trips to Europe this young lady became my wife, and we have not finished reading "Thus Spake Zarathustra" yet. \* \* \*

With a few ups and downs the business had continued to prosper. We were extremely active, immersed in our own affairs, and not sufficiently aware of what was happening on the American economic front. We could count the first two years of our enterprise as a fair success. Then the blows began to fall.

For years I had been fortunate. During and after the war I had done work which fascinated me and which others told me was of some use. I had seen many countries, learned some French and German, and had come to know people of varied natures and backgrounds. I had gained lasting friendships. My moves had usually been up rather than down. My health had been good. I had even made a little money.

Then, suddenly, everything went wrong. I became seriously

ill and was carted off to a sanatorium in Switzerland. The trouble was eventually found to be a bug I had picked up, presumably in the Balkans, but the first diagnosis was erroneous and I spent many months as an invalid.

In the meantime the 1920-21 postwar depression hit American business hard. The New York company, which was our backlog, quickly paid off its creditors and went into voluntary liquidation. That cut the ground out from under our Government contracts, which then lapsed. The whole structure we had built with such pains collapsed. Nobody knew how long the depression would last. My associates decided, with my full concurrence, that it was not going to be possible to pick up the pieces and put them together again. The game was up, and when I was fit to travel I took ship to New York.

\* \* \*

As we moved out to sea I stood gazing over the stern of the vessel at Europe disappearing below the horizon. I wondered whether I would ever return to what had come to seem as much like home as home itself. The ship was churning up its massive wake and I could see many images floating and bobbing in the water:

A railway station miscalled Bovril. Lighters bringing grain into Belgium. Sentries demanding military passes. German generals at headquarters behind the Western Front. My French secretary with his black straw hat. Paris officials who first snubbed me but were later my friends. That night boat trip between France and England. Rome as guest of the King. The Prime Minister with his iron stove and earmuffs. My salt train chugging across Croatia. The famous Battle of the Truf-

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fles in Vienna. Those freezing open sleighs in Warsaw. The meadow where that girl and I read Nietzsche.

They and other images drifted in the waves, sometimes distinct, sometimes lost in spray. And the dream too, the great trading company embracing all Europe and even spreading to the Americas. That was out there also, but fast sinking into the Atlantic. After a while it became dark and I could see nothing, not even the wake of the ship.

\* \* \*

So I had to start at the foot of the ladder after all. In fact they were obliged to add a couple of rungs at the bottom to get me on.

## APPENDIX C

WHAT THIS COUNTRY FACES IF GERMANY WINS

by John Lowrey Simpson

Millions of Americans are still in a muddle regarding the meaning of the Super-European War to the United States. At least half of the current discussion on the subject assumes that we have a real freedom of choice, that we can search our souls like Hamlet and speculate whether to mix or not to mix. We are told by some that we should preserve our birthright by keeping afar from the maelstrom, where we could only add to the chaos. Others urge us to use the great force of this country to compel the belligerents to conclude an armistice right now. All these thoughts and utterances assume that the United States is itself far removed from the direct issues; that we are secure in our continent; that our country is free from entanglement and should remain so. To sympathize with Britain is all very well, we hear, but the main thing to deplore is that there is any war at all. And the greatest danger which we face, runs the argument, is that our excess of sympathy may lead us to risk our own involvement. Once more we might be duped into participating in a "foreign war".

This is very fine talk, except that it happens to overlook most of the basic facts of life. It is out of line with realities in general, notably with Twentieth Century realities. It ignores such homely matters as vital statistics, geography and economics. It is at odds with ordinary common sense.

For such reasoning supposes that while we may have our sympathies and our likes, we Americans can live and make out well enough whatever happens. Yet that is not the case. The false sense of security is due solely to the fact that many of us have not contemplated, coolly and factually, the state of things which this country would face if Germany were actually to win the war against England. We discuss vaguely the possibility of a final German success. Possibilities sometimes become facts. Even vaguer than the idea of German victory is the thought of the practical results of that victory.

Why should this be so vague? The countries are there, the lands, the peoples, the trade routes, the key positions. The German plan is there: we have heard it expounded and seen it shaped by the craftsmen of Nazidom, by the Führer and his companions. Can we not take a map and a world almanac, and on the basis of recent history construct a picture of the Greater German European Empire?

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We can. It is not so difficult. It requires a little care in assembling and arranging the main facts. When this is done the result ought to be shocking to any loyal straight-thinking American. For if Germany wins the war, Germany dominates Europe. If Germany dominates Europe, Germany replaces England on the sea. If Germany, victorious on land, also replaces England on the sea, the United States faces a combination of land and sea power unheard of in the history of the world. All this force, both economic and military, would be in the hands of the regime which Mr. Hitler has so carefully and cunningly constructed. Nobody in this country ever saw or dreamt of anything so menacing.

This is not a hymn of hate. Many Germans have migrated to our country and made first-class Americans. It is entirely conceivable that in other times and circumstances Germany may be again, as it once was, a good neighbor of the United States. Not, however, if Germany wins this war. For if Germany wins this war we shall face a Greater German European Empire whose very size and structure, not to speak of the ambitions and aspirations of its rulers, will ensure conflict. Worse still, in such a conflict between a German Super-Europe and the United States, the initial odds would hardly be on our side.

If Germany wins this war it will control all Central and Western Europe. That means the area west of Russia and north of the Mediterranean, including the British Isles. The organization setup would doubtless vary from region to region. Already we have seen Bohemia, Lorraine and part of Poland, for instance, incorporated outright into the Reich; while Holland is run by a Reich Administrator and Norway by a German Commissioner and a Norwegian renegade. France has for the moment a sort of "captive" national government at Vichy. The form of domination can be adjusted to suit conditions on the spot. The main thing is the subjugation of territories and populations to the power and policies of Berlin. We well know the means by which German power and policies are imposed upon the hapless subjects.

Great Britain, it is true, stands today a rock against the onslaught, and German military might beats at the Channel crossing as the Turks centuries ago beat against the walls of Vienna. But Britain defeated would be just another France. We should see Winston Churchill shot against a wall or tortured for years in the Schuschnigg manner. A government composed either of outright Germanophiles, or of wretched patriots bargaining for a crumb, would seek to arrange some endurable existence for their country as a commercial and maritime outpost of the new order. Neither the British nor ourselves can be so fatuous as to assume that the Germans, as winners, would clamp down a few peace treaties and then pack up and go home. They would create a Greater German European Empire as they have already in large part succeeded in doing.

Its rulers would possess the phenomenal military power of the German army plus much of the sea power of the British merchant marine, and probably some portion of the British navy. Most important of all, the new Germany would control by far the greatest shipbuilding facilities in the world, estimated at four times our own present shipbuilding capacity. In 1937 Europe, including Great Britain, launched eight times the shipping tonnage launched by the United States and Canada. With the resources of all Europe at the disposal of its totalitarian machine, the German European Empire would set about establishing its position on the Atlantic. A logical move would be to enlist Japan as an active partner and to threaten and distract us in the Pacific during the long years which lie between the American people and their two-ocean navy. With a tremendous head-start in the matter of shipyards the German European Empire might well become invincible as a naval power while we were still struggling to catch up.

How big would this Greater German European Empire really be? What would it have by way of resources, and what would it need from the outside world?

The population, almost 400,000,000, would be about three times our own. With two-thirds the area of the United States, the Empire would have an average population per square mile about five times as great as ours. Europe is a densely populated region. Its industrial capacity is greater than our own. Furthermore, these hundreds of millions of German-led Europeans, highly developed in technology and the art of war, would be largely self-sufficient in a number of primary raw materials. These include notably coal and iron ore, the basic materials for the all-important heavy industries.

The European Empire would be only partially self-sufficient in petroleum, and would lack natural rubber, tin, copper, nickel, zinc, lead and phosphates. However, for reasons pointed out below, the deficiencies would be as significant and ominous as the resources. For, as we shall see, this mighty Empire would inevitably reach out to procure in its own way and on its own terms the foreign materials required for its economy.

As to agricultural products the Greater German European Empire would be largely self-sufficient with regard to breadstuffs. The total area (including the British Isles) at present obtains from abroad 10% to 15% of its grain requirements; but the Germans could intensify cereal production at the expense of industry in such territories as France, Hungary and the Balkans. This would give the Empire tremendous bargaining power in its dealings with the agricultural exporting countries of the Western Hemisphere. The Empire would be only partially self-sufficient as to sugar, meat, fats and tobacco. Coffee and tea, which are not foods strictly speaking but important consumption articles, are totally



lacking. Raw material for rayon would be available but cotton, wool and silk would be largely deficient.

The United States would be confronted across the Atlantic with a vast military Empire, containing inside its boundaries many of the essential substances for peace and war and requiring others from foreign sources. Where would this Empire turn for its requirements? What methods would it use to supply its needs? Would it control materials and dominate markets of interest to us? Would it open or close avenues of trade to North America? These are hard-boiled questions which should appeal to the sense of reality of American men and women of all walks of life. The answers, in the event of a German victory, would touch and modify the lives of every one of us and of our future generations.

Foreign trade figures disclose that almost all needs of the German European Empire could be met outside North America. (Two possible exceptions are nickel and tobacco.) In general it may be stated with assurance that Africa, Asia, Australia and South America could furnish nearly everything which Europe requires. Africa was seized and subdivided by the European Powers during the Nineteenth Century; its subservience to the Greater German European Empire would be natural and inevitable. Today the appendage of the various European nations, the Dark Continent would become the vassal and economic reservoir of Germany's Super-Europe. It could supply phosphates, copper, and some cotton, grains, sugar and wool to the economic life-stream of the Empire. The Axis alliance with Japan points the way to the German European Empire's policy with regard to Asia. Japan as an ally of a victorious Germany, with England off the seas, could furnish rubber, tin and perhaps petroleum, offering in exchange some market outlet for European manufactures. Australia, marooned, would be forced to deal with its strongest and largest customer for grains, meat, dairy products and wool. Russian grain and oil, obtained by pact or by force, might further augment the Greater German economy.

When Latin America, which will be discussed shortly as a separate topic, is included in the trade picture, the position of our own country as a supposedly indispensable supplier of Europe becomes crystal clear. There is, in plain fact, absolutely nothing to the popular idea that the Greater German Empire would be obliged to trade with the United States.

Nevertheless the question may be asked why this Empire should deliberately avoid us, why American business could not find its opportunity in the new Europe as in the old. The answer to this question is partly political and partly economic.

The unity of Europe achieved by Germany would be a unity of conquest. Much has already been said and written regarding the dynamic force of that conquest and the inevitable clash between the

rampant tyranny of the New Germany and our free institutions. The purpose here is to deal rather with the economic and everyday aspects of a possible German victory. It is important to understand why material and economic forces, even apart from ideas and ideals, would lead not to cooperation but to conflict.

There is every indication that victorious Germany would form an economic Super-State based on conscript labor and pitiless exploitation of subject groups, and that products of the regime would be used cold-bloodedly at home and abroad for political ends. It is naive beyond words to expect that such a German European Empire would be a decent customer of the United States. Its conditions and principles of trade would be entirely different from those which have generally prevailed since the birth of our country. Throughout this period British, and latterly British-American, naval power has held supremacy on the high seas. In the case of neither Great Britain nor ourselves has this naval power been combined with important military power. Nor has Britain maintained any foothold on the European Continent, with the single exception of Gibraltar. Furthermore, British sea power as well as our own has been used on the whole to sponsor a fairly liberal trade policy and to encourage world-wide commerce through the medium of the foreign exchanges. Recent German methods of developing trade have differed radically from this. By means of regimented labor, controlled prices and subsidized exports, the Germans have been able to obtain their supplies on the basis of bilateral barter deals. This technique has been especially effective with the weaker raw material countries, where Germany has been able, to a large extent, to dictate its own terms without the use of foreign exchange and regardless of standard market prices. The greater the Germany, the tighter the system. It is not our system.

We enjoy in this country a relatively high standard of living and maintain a policy of fair and open prices. We seek to assure an adequate return to labor. We would be forced to deal with a totalitarian industrial Europe employing low paid labor, and to compete with the relatively undeveloped raw material countries. We could not meet successfully those conditions and the Germans know it. The Greater German European Empire would be in a position to extend throughout most of the world the Germans' cut-throat barter methods. For they have found a means of making trade a sort of blackmail levied by the strong against the weak.

One of the gravest threats to our economy and national security would arise via Latin America. The German European Empire would find it easy to reach from Africa across the Southern Atlantic and the relative disadvantages of our position would become immediately apparent. The United States usually purchases and consumes about one-third of Latin America's total exports, while Europe takes over one-half of them. The products sought by Europe from that area are principally petroleum, coffee, meat, sugar,

copper, wool, cotton, hides, wheat and corn. Since the United States normally produces a surplus of all these except coffee, sugar, wool and hides, it would be practically impossible for us to absorb the bulk of these materials from Latin America over any length of time. In other words, Latin America is by nature dependent on Europe as an export market for raw materials, and correspondingly receives many imported manufactured goods. Europe, under any flag, is not only the star customer of Latin America, but Europe under German domination would make payment in manufactured articles using depressed labor standards and state control of trade and prices. It would be extremely difficult for us to meet this situation without either materially lowering our own standards of wages and wellbeing, or purchasing a flood of unwanted goods and materials.

The Empire's economic stranglehold on Latin America would have strings on it, we may be sure. Markets would be closed to our exporters. Political, naval and aviation concessions would be linked to commerce. We should soon find a European "sphere of influence" creeping up toward us from the south, and outposts of the Empire appearing closer and closer to the Panama Canal.

At the same time that the German European Empire was tightening its economic and political grip on South America and bedeviling us with boycotts from abroad, it would undoubtedly employ the usual German tactics within our borders. Its destruction of our foreign trade would be accompanied by offers of cooperation and goodwill. The objectives would be to befuddle our industrialists into making "shrewd" deals, to break our price structure, to plunge us into a business depression, to foment discord between employers and labor, to set both groups against the Government, to start appeasers demanding an end to strife and contention, to thwart our armament program, to use all the well-tried devices for bringing us to heel. The Henleins and Quislings would no doubt bear Anglo-Saxon names.

Certain aspects of both the American and European economies would make this far less difficult of accomplishment than most people suppose. The disruption of our export markets would affect primarily such products as cotton, wheat and tobacco. Our Government could not expect to continue indefinitely buying and storing or giving away surpluses of these and other agricultural commodities. Prices would eventually decline, with distressing and disturbing effects throughout agricultural areas, especially the South. Moreover, many of our largest manufacturing industries, notably the automobile business and certain machine lines, depend considerably on foreign markets to maintain employment and wages and to show earnings. The continued loss of marginal export business in peacetime would in many cases spell the difference between prosperity and depression. With the loss of export markets, we would find difficulty in obtaining valuable imports such as rubber, tin, and

certain so-called "strategic" metals and substances. For many of these we would compete directly or indirectly with Germany and would be obliged to deal on adverse terms. Under a system of totalitarian costs and prices, based on a kind of modern industrial serfdom, the Greater German European Empire would have opportunities for economic ruthlessness never before encountered. There would be almost no limit to the extent to which trade could be controlled and directed to political and military objectives.

Canada, whose interests we are pledged to protect, would be likely to intensify rather than lessen our economic problems. Canada is itself a large producer of grain and other agricultural commodities which depend on markets outside of the Western Hemisphere. As to Canada's leading industrial raw materials, we already import from her the quantities of wood pulp, paper and nickel necessary to make up our deficiencies; while her copper would only add a surplus to our own.

It is not within the scope of this paper to discuss all the world-wide effects of a possible German victory. Not only economic problems, but naval and military questions of the greatest complexity would arise. Relations would change between the United States and all the key points of the world: Gibraltar, Suez, Singapore, Panama. Perhaps we might find ourselves waging a lonely war against the German European Empire over some vital point in the South Caribbean, -- with Japan knocking at the back door. Indeed Japan, which represents no serious danger as long as we are free to operate with full force in the Pacific, would become a real menace once we were at bay in the Atlantic.

We have heard all our lives about the Yellow Peril and what might happen to us if 400,000,000 Asiatics should ever form a modern military empire. Now Japan is attempting to make that bad dream a reality. At the same time Germany seeks to weld another four hundred million -- not Asiatics but Europeans -- into a Greater German Empire. The latter would be integrated as only the Germans know how to integrate. It would have the greatest combination of industrial resources and plant equipment in the world. It would possess the amazing military genius of the Germans. And, for good measure, a German alliance with Japan already exists.

A nation, like an individual, has a destiny which is a product of land and people, of time and space. This national destiny transcends the ordinary affairs of daily life, yet the daily way of life is possible only when the dictates of destiny are observed, not flaunted. It has been British destiny to prevent the whole of Continental Europe falling under a single military power. English statesmen have always dreaded the complete supremacy of one Continental nation and have waged many wars to forestall such a disaster to their race. When Great Britain permitted Germany to

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rearm it was a clear violation of British destiny, and Britons are paying the penalty today with blood and anguish.

We are told that our destiny was defined by Washington when he admonished Americans to beware of foreign alliances. This, as commonly quoted, is surely not what Washington meant, for he relied on his French alliance to help win the independence of his country. He was more than glad to use an alliance, or an entanglement, which suited his ends.

What were his ends? What were Lincoln's ends? Were they not the same?

We have it in Lincoln's own words that he did not wage war against the South to abolish slavery. He declared that his purpose was to preserve the Union, be it all "free", all "slave", or part "free" and part "slave". He believed that the prospect of two minor American nations on this continent, striving between themselves and each the prey of the great European powers, was worse than a civil war.

The destiny which Washington and Lincoln both saw was the destiny of independence, union, strength, freedom from foreign domination or interference. Under the conditions of news and transportation which existed in those times they could pursue their policies mainly in this hemisphere. Yet neither was a hide-bound "isolationist". Each met his emergencies as time and fate dictated. Each sought out the enemy where the enemy lived. Each followed destiny where destiny led.

That is surely our real national tradition, obscured and cluttered by the catch phrases of the 'twenties and 'thirties. "Isolation", "foreign wars"; what meanings have these words? No war is foreign if it touches our vital interests. We are already in conflict with Germany, because a German victory would harm us. We are already committed, no longer free to pick and choose, because our very nature -- not to speak of our policies and sympathies -- sets us in the conqueror's path.

When Germany dismantled Czecho-Slovakia it struck down a bastion of Britain. If Germany defeats Britain it will destroy an outpost of American safety. The enemy will have cut through our advance positions and will be able to concentrate on our vital points.

Our destiny, as every American leader worth his salt has known, is to discover our enemy and forestall him before he strikes us; and to use every appropriate weapon and every convenient alliance to achieve that end. If we let Germany create its Greater European Empire we can forget Yorktown and Gettysburg and start fighting for our existence as a free nation all over again.

December 30, 1940.

JOHN L. SIMPSON

# DOLLARS CAN HELP SAVE EUROPE

Reprinted from

## The COMMERCIAL and FINANCIAL CHRONICLE

Thursday February 5, 1948

By JOHN L. SIMPSON

Executive Vice President

J. Henry Schroder

Banking Corp.

Reprinted from

The COMMERCIAL and  
FINANCIAL CHRONICLE

February 5, 1948

Distributed by

COMMITTEE for the MARSHALL PLAN to Aid European Recovery

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# Dollars Can Help Save Europe

The Marshall Plan Means the Difference Between  
Recovery and Economic Collapse

By JOHN L. SIMPSON

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New York City

The Marshall Plan is designed to promote economic recovery and maintain political independence in the participating countries of Europe. Its aim is to support and sustain those nations most closely allied with ourselves by ties of tradition and common cause.

The very structure and order of the Western world in which we live, are the stakes.

These statements are not empty rhetoric but represent a mighty challenge of events. Once more the American people are confronted with the problem as to whether they can safely ignore the fate of Western Europe. The question, which has presented itself in one form or another several times during this century, is always a painful one. Most of us would vastly prefer being left alone to attend to our own affairs. In addition we are inclined to believe that Europe's mistaken policies, both political and economic, are the source of many of her woes.

Nevertheless, at a certain point we are always obliged to face the issue, realistically, as a choice of

grim alternatives. Events have a way of rolling on. The great globe has dwindled. We are no longer remote on our glorious new continent but entangled in the destiny of all mankind. We dare not disregard our neighbors' ruin; for ruin breeds despair and rage which overstep frontiers. Today as heretofore Americans must decide, not whether we are glad to act, but whether we dare refrain. A recent visit to several Western European countries gave me an opportunity to make a few direct observations. As usual the known facts, both business and political, stand in relief when studied at first hand. Never did it seem to me more apparent that the European countries are dependent on a network of inter-

relationships among themselves and with the world at large. No one of them can stand alone. The traditional role of Britain and German coal in the European economic system, and its present lack, furnish but one example of this. With Britain weakened and Germany in ruins it is difficult to exaggerate the accumulation of difficulties which beset Europe as a whole.

Nevertheless in my opinion this situation is by no means one of general decadence and decline. Recuperative forces are at work as after World War I. The problems are numerous but specific, and the good thing about specific problems is that they lend themselves to specific remedies.

These observations lead back to the vastly important subject of the European Recovery Program, the Marshall Plan. The European nations of course must help themselves if they are to be helped at all. Some people are working hard now; others will have to work considerably harder. Dollars alone will not save them—certainly not! But the equivalent of some dollars they must have, in food, commodities and materials, if they are to be tided over this postwar crisis.

**Arguments Against the Plan**

The foregoing conclusion, which to many seems supported by the facts and circumstances, is not universally accepted. The belief is held by some that despite the havoc of the war European policies followed since the war are primarily responsible for the present difficulties. Hence, it is argued, the Marshall Plan must be regarded as ill-suited to accomplish the desired result and as a sheer waste of good American dollars.

Mr. Henry Hazlitt has expounded this view in a book entitled, "Will Dollars Save the World?" He and those who share

his ideas attribute most of Western Europe's troubles to price controls, rationing, priorities, allocation of materials, foreign exchange regulations, overvaluation of currencies, high tariffs and other trade barriers, and unbalanced budgets. All these represent governmental interferences with the natural course of production and commerce. It is contended that such devices smack of Socialism or needless imprudence or both. At any rate they stifle initiative and hamstring enterprise to such an extent as to render futile any outside help.

Quite to the contrary, goes the argument, such outside assistance is likely to defeat its own end by encouraging—even subsidizing—the ill-conceived policies which are at the root of all the trouble. If Europeans would cease playing politics with economics, and pull up their socks and go to work, they would not need a Marshall Plan. That being the case it is considered, by those who reason thus, far wiser for the United States to refrain from wasting its substance in a hopeless cause. It would be thriftier, and better for Europe in the long run, to confine our aid to private charity and some governmental donations of food when absolutely necessary. If strictly orthodox business conditions could be met, loans might be negotiated with the International Bank or floated in the private capital markets as of yore. Europe should be advised as to the fallacies of Statism and Socialism. And incidentally, the sooner this country sets a really good example itself with regard to such things, the better for all concerned.

There is matter here to appeal to many Americans. Whether one's political leanings be to the Right or to the Left, the criticism of excessively high tariffs and other trade barriers, and of arbitrary and flimsy exchange rates,

makes a great deal of sense. Practically everyone agrees that trade should be encouraged, not hampered. Some will no doubt sympathize with other points of the argument. Most of us, certainly most American business men and women, believe that our country's vast achievements and incomparable standard of living are due largely to the individual decisions and efforts of millions of private citizens. "Free enterprise" is no mere claptrap phrase: it is a principle which has worked in this country and elsewhere to produce the greatest advance in the material condition of man recorded in the history of the race.

We are all willing as good soldiers to forego the principle of private initiative and private enterprise in time of war; but nobody has yet persuaded the vast majority of Americans as to the wisdom of doing so in time of peace. We assume that if these things are good for us, they are good for others as well. Hence there is a certain appeal in any criticism of the European Recovery Program which takes the private enterprise principle as its point of departure. If Europeans are indeed pursuing policies which we believe to be unfruitful, why is it not true that they need principally to mend their own ways rather than to receive from us subventions for their errors?

Just here in my opinion lies a cardinal error: the error of misapplication. The principles on which the criticism of the Plan is based may be sound as principles and for conditions we regard as "normal." (Although even in normal times we have accepted many necessary modifications of the rule of *laissez-faire*.) However, to propose dealing with the devastated Europe of today on a basis of free-for-all individualism is as farfetched as to try to fight a war on that basis. Surely some controls are indispensable in a situation as abnormal and impov-

erished as the present European one, in order to spread as evenly as possible the available supplies of the necessities of life and to prevent the whole society succumbing to the law of the jungle.

This is not a question of social-economic doctrine. It is a matter of common sense in the handling of a grave crisis. A businessman may have some handy maxims tacked up on the walls of his office. When confronted with a special problem, however, a sensible man pays more attention to the problem than to the placards.

The type of criticism of the Marshall Plan which I have attempted to summarize sounds very hardheaded and realistic. It is, on the contrary, academic and theoretical. Europe at this moment is a special case and is not to be treated by throwing the rule book at it, our rule book or any other.

**The Ravages of War**

In the first place let us recognize that Europe's state is the aftermath of the greatest war in history. What should be the most striking and obvious aspect of the entire question seems to be well-nigh ignored by most of the critics of the Marshall Plan. Mr. Hazlitt, for instance, whose book "Will Dollars Save the World?" was mentioned above, says a few sympathetic words at the outset regarding physical destruction and other war damages, and during the entire remainder of his book never again refers to the war or its effects! Whatever one may think of government controls, and I happen to be among those who dislike and distrust their excessive use, we have to recognize that after all there was a war.

Anyone who saw the Port of Naples after the Germans left it, or who has had any first-hand view and comprehension of the destruction of cities, ports, transportation system, industrial establishments and the very land itself in Holland—must under-

stand this even without the facts and figures.

Certain countries fared worse than others, and some countries have been able to pursue policies impossible elsewhere. Belgium for instance has set up a freer trade regime than that of either Holland or Britain. One reason for this is that Belgium, happily, was less devastated and economically sapped than either of those countries. One must study and analyze the specific kind and degree of injury in each case and the concrete problems.

It is impossible to appraise with any degree of accuracy the total amount of damage caused by the war. The one conclusion which emerges clearly from such calculations as have been made is that the losses are of staggering dimensions. An overall figure, if one could be established, would be enormous. For instance, Professor Pigou, using figures from a British White Paper, estimates that the United Kingdom has been deprived of approximately 25% of its national wealth. This figure includes the sacrifice of foreign investments as well as physical destruction. The Herter Committee states that in France losses due merely to destruction and seizure by the enemy have been estimated as high as \$21 billion. Such damages do not include capital deterioration due to lack of manpower and raw materials and general dislocation of economic relationships. The figure for France obviously reflects only a portion of the total impairment of the country's economy.

Destruction of the productive capacity of all Europe was in part the result of military operations, including Allied aerial bombardment aimed at the enemy. Aside from this the conduct of the Nazis disrupted the entire system of production and distribution. Capital equipment was in many cases deliberately destroyed or re-

moved. The war ended with the transportation system of the entire continent in a deplorable state of disrepair and even ruin. As in the case of Britain, shipping and foreign investment losses accentuated the impoverishment of the European system as a whole.

Whatever impediments to recovery mistaken governmental policies may have interposed, Europe's main trouble is that it has recently been a battlefield. This is the first thing to remember, not the first thing to forget.

#### This Is an Emergency

The second point I would like to emphasize is that we are not dealing here with a chronic state of decrepitude but with an emergency. This is a further development of the thought that the entire problem arises out of the war. There is no question of the United States' underwriting a permanent condition of European inefficiency and incompetence. Any such supposition proceeds from a complete misconception of the Marshall program.

Europe has been struck down by the impact of a calamity. We are discussing an endeavor to assist it to its feet. This is a neighborly undertaking, common and decent among individuals and sensible among nations. Should our European friends find themselves eventually unable to stand alone even after such initial help, we may be forced to take another view. At the present moment there is no evidence at hand that that will be the case.

On the contrary, practically every Western European country showed an impressive economic comeback during the first period following Liberation. Industrial production and transportation made good records and in some instances came close to prewar levels. The picture would undoubtedly have improved more had it not been for the terrible crop weather of last winter fol-

lowed by the summer droughts. As an example of the effect of these climatic conditions on agriculture, France's 1947 wheat crop—the food-staple of the country—was cut almost in half. Similar crop failures throughout Western Europe struck heavy and untimely blows at the recovery movement.

The European governments have committed many sins, but we really cannot hold them accountable for the weather.

As already stated, the Europeans will have to struggle for their own salvation. By all means. This is a truism and if it were not a truism it could easily be demonstrated by the figures. The amount recommended for the first 15 months of the European Recovery Program is \$8.8 billion. The total sum originally proposed by the Administration for the four years of the Plan (but since eliminated as a definite figure) was \$17 billion. The American official estimate is that such an amount of assistance would constitute only a small portion—some 5%—of the total national production of the 16 countries. That would mean that the nations included in the Plan would themselves produce 20 times the value of their receipts under the Plan.

If they do so, and if the result be computed in dollars, the 270 million people of the 16 nations will have a total annual "national income" in the neighborhood of \$100 billion. By way of comparison the United States with a little over half that population (say 144 million) has a current national income of about \$200 billion. Such calculations are never strictly reliable and should not be used too literally. Perhaps the Europeans can produce more than 20 times their Marshall Plan receipts, or in any event more in terms of human satisfactions if not in dollar values. However that may be, it is difficult to es-

cape the conclusion that the Marshall Plan presupposes a great European effort on the one hand and a modest standard of living on the other.

Clearly the American assistance will constitute only a small proportion of the recipients' national production and national requirements. It will in any case be necessary for them to do most of the job themselves. The small proportion of aid, however, is of crucial importance in generating recovery. It means just the difference, materially and morally, between trying to start alone after a disaster or feeling the friendly pressure of a helping hand.

At the same time this does not mean that a little additional effort on the part of our European friends would neatly solve their problems. That is one of the misleading arguments which is being made currently against American aid. If the aid represents but a small fraction of the total requirements—it is urged—why could not the whole matter be settled by the Europeans working 10% harder or 10% longer hours and producing 10% more? This sounds sensible but is quite fallacious. The answer is that whatever Europeans do by their own efforts must be within their own countries, and certain of their immediate urgent needs can be supplied only from abroad. They must have some food and fertilizer, some critical equipment and machinery, some foreign exchange to "get going." In the long run they will have to produce and export to acquire these things. But this is a short run, a crisis. As in so many other crises, in the lives of both individuals and communities, it is the injection from without of a relatively small amount of vital substance which stimulates and sets in process the recuperative forces from within.

Plenty of emergencies have arisen to perplex our forebears.



Some have been handled badly and some well. Our Southern States after the Civil War required a wise and generous program of reconstruction. The program was fumbled, and the South and the country have suffered from it ever since.

Fortunately the disaster resulting from the Mississippi Flood of 1937 was handled with greater humanity and intelligence. Apart from the immediate activities of the Red Cross, Federal funds were provided in large amounts not only for relief, but for fundamental rehabilitation and short-term and long-term flood control. Nobody dreamed of advising the inhabitants of the Valley, in that great crisis, to rely on free competition and the law of supply and demand for the solution of their problems.

You do not deal with an emergency purely on the basis of what you believe to be sound advice. You do not tell a man who has been hit by an automobile that all he needs is plenty of fresh air and to cut down on alcohol and tobacco.

**The Communist Drive**  
It is a sad but plain fact that relations between the Western Powers, and Soviet Russia have deteriorated greatly during the past two years. Our friendly hopes of 1945 have been badly dashed by the Kremlin since the meeting of the armies on the Elbe. Against all desires of the vast majority of Americans we have been drawn into a diplomatic and political struggle by the leaders of the U. S. R. The Moscow-controlled Communist drive is directed at Western Europe, and Americans find once again that the jeopardy of the Western European nations is our jeopardy.

As in the palmy days of the Nazis and Fascists, deliberate efforts are being made to undermine the institutions and under-

pendence of these countries. For example the vigorous and well-financed Communist movement in France is something initiated, organized and conducted from outside the frontiers. It is a skillful and ruthless assault on the fabric of French society and the existing French government.

For the United States to conclude that the present French government is of no interest to us because we disagree with some of its regulatory policies, would be most unwise. The conduct of the internal affairs of any nation is a complex matter, and circumstances differ from country to country and from time to time. It is not the internal system of the U. S. R. but its machinations and its subversive activities abroad, which concern and alarm us. The governments of Western Europe are guilty of no such activities, socialistic or semi-socialistic though they may be. They are friendly in their attitude toward us. One can live pleasantly with them. If they should be transformed into communist regimes we would not need five minutes to recognize the difference.

Nor is it correct to assume that assistance to friendly neighbor nations is bound to be futile. Certainly that has not been our experience in the past. When we were confronted with Nazi and Fascist infiltration into the Western Hemisphere we sought by all means at our disposal to aid and support our friends in Latin America. We sponsored vast economic projects for countries under pressure from totalitarian quarters and counted not the cost. Who can say looking back at the war that that policy was a failure? Who can argue that the expense of backing the forces of democracy and freedom in the Western Hemisphere, and the Eastern as well for that matter, was a waste of money?

Of course our economic program for the democratic nations of Europe will help them to resist communism. Their fate is in the balance at this moment. Their antagonists are skillful manipulators and master propagandists. Millions of decent people are struggling valiantly to avoid falling under the yoke of tyranny. How could it be that the material and moral effect of the Marshall Plan would fail to help them?

I include "moral effect" advisedly for it is most important. As mentioned above the material quantities of goods involved are relatively so small that they can only fill vital and critical needs, provide a certain amount of plant and equipment and stimulate local production. Yet the United States' evidence of interest and show of strength will surely give heart to multitudes in their time of trial.

The fact that the Soviet leaders manifest bitter opposition to the European Recovery Program perhaps should not itself enlist our support for it. Americans follow with difficulty the workings of these men's minds and we do not know the exact motivation of their hostility to the program. However, there is every indication that Russian policy is directed toward the continuation of confusion and chaos in Europe. The attitude of opposition would therefore seem to indicate Moscow's fear that the Plan will promote European recovery.

Despite the difference in ambitions between the Soviet Union and ourselves, the program if carried out may tend to reduce some of the tensions which exist. Western Europe should trade not only internally and with the world at large, but with Eastern Europe as well. There are indications of a great desire to do so on the part of the populations on both sides of the Iron Curtain. An improvement in economic conditions in

Western Europe may stimulate further that desire and lead to a development of intercourse throughout the entire continent. That would be a result in conformity with American policy toward all nations, Soviet Russia included: rapprochement, not divergence.

On the other hand the emergence of a Communist-dominated Europe would be ominous in the extreme for the United States. That way indeed lie the dark risks. As we have learned from all our dealings with dictatorships, it is in weakness that the greatest danger lies, not in strength. If we can stiffen our friends' resistance and help them to save themselves from despotism, we may preserve the status quo and buy time. And time, with all its hazards, may modify or even compose the terrible issues of this hour.

We must support Western Europe because we do not dare contemplate the Iron Curtain being hung where the Atlantic Wall once stood.

**Can Private Loans Serve the Purpose?**

The most unrealistic argument against the European Recovery Program is that the job should be done, if at all, by private lending. This idea seems to take no account either of the nature of the transactions or of the condition of American capital markets.

The program envisages that specific repayment be required to the extent that it is feasible and consistent with the objectives. On the other hand it is clearly recognized that a demand for complete repayment of all loans in all likelihood would be self-defeating. The proposal therefore is that aid be extended partly as loans and partly as grants. Such safeguards and conditions as may be deemed adequate and reasonable are to be established. The United States will seek its recompense

mainly in the reconstitution of a healthier world.

Apart from the essentially public nature of the proposed loans and grants, the private capital markets as well as the International Bank are obviously now incapable of providing such funds in such amounts. The record of long-term foreign financing after the first World War, while not so bad as generally supposed, was sufficiently discouraging to dampen investors' enthusiasm. The very political considerations which make a public program essential would prevent the private subscription of these billions of dollars.

That is not to neglect the possibility of a gradual resumption of private lending under the auspices of improved political-economic conditions. It is greatly to be hoped that such resumption will occur and that it will supplement the government's efforts. It would be surprising, however, if anyone actually engaged in the business of banking or finance should have the temerity to undertake to handle through private channels any such large-scale program as this. The idea seems quite out of perspective, at least at the present time.

The International Bank, by its nature, size and dependence on the capital markets, is also compelled to play a limited, though extremely useful, role.

The fact of the matter is that this country is contemplating embarking upon an international economic program dictated by high reasons of public policy. It is the considered opinion of the leaders of both political parties who have sponsored the Plan that it is essential to protect the Occi-

dental civilization in which we have our being. We are attempting to avoid another cataclysm and to preserve our order of things by peaceful means. The cost will be high in one sense but small in comparison with the \$330 billion we paid for World War II. Thus regarded the price of the Plan is not too great. There is only one possible source from which to find the money: the United States Government acting in its financial capacity.

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Many words are being written and spoken regarding the European Recovery Program. Its every facet will be discussed and rediscussed before this Congress takes its final action. That is as it should be. For the world stands at a crossroads of destiny and today's decisions will travel through long future years.

It will be wise not to be blinded in the heat of the argument to the background against which the issues are displayed. There has been a terrible war. A grave crisis is smoldering. We are confronted by a harsh dictatorship. These are the basic circumstances and the question is: what are we going to do about it all?

The Marshall Plan is the reply to the circumstances and the question.

It is an attempt to break through vicious circles of want and weakness and to provide the needed margin for economic revival.

Its central purpose is to tip the balance of Europe in favor of the forces of democracy and western civilization.

It is an instrument of American statecraft.

## Witch Hunters Still Stalk a Club That Is Ghost of Former Self

\* \* \*

Council on Foreign Relations,  
Once Feared and Admired,  
Strives to Regain Stature

By BRIAN DICKERSON

Staff Reporter of THE WALL STREET JOURNAL  
NEW YORK — In Zionsville, Ind., recently, a visiting evangelist exhorted members of the First Baptist Church to stockpile food and firearms in preparation for a war with witches.

Parishioners were told that the witches already were mustering for their first assault on the U.S. The preacher pinpointed their operating base: the Council on Foreign Relations, an exclusive private club in New York whose members include some of America's most influential corporate executives, government officials and academic leaders.

It wasn't the first time the council has been assailed. Since its founding 57 years ago as a forum for candid discussion of American foreign policy, the council at various times has been called a sanctuary of international intrigue, a Communist front and the headquarters of the so-called Eastern Establishment.

### A Measure of Its Success

But the criticism was also a measure of its success. At its height, the council wielded about as much influence as any private organization ever has in foreign policy, keeping several U.S. administrations stocked with fresh ideas and personnel for two decades after World War II.

"Whenever we needed a man, we just thumbed through the roll of council members and put through a call to New York," says John McCloy, a foreign-policy adviser to six Presidents and former council chairman. Henry Kissinger, who joined the council in 1956, first achieved national prominence with the council's publication of his best seller, "Nuclear Weapons and Foreign Policy."

But new and different criticism of the council has emerged lately, coming mostly from members or former members. They are disenchanted not by what the council is doing but by what it is failing to do.

"I regard it as a nostalgic convocation of people who are trying to recapture their days of greatness," says economist John Kenneth Galbraith, a council member for 24 years before he resigned "out of boredom" in 1971. "If it had been as sinister as its critics say, I think I would have found it more interesting," he adds.

### New Competition

Council staffer Catherine Gwln agrees. "There's been a dearth of solid ideas here," she says. And council member Ray Cline says of his colleagues, "Their views tend to be pretty predictable."

The council's role has also been diminished by new competition. Mr. Cline, for example, is director of world power studies at Georgetown University's Center for Strategic and International Studies, one of the rivals. Other challengers include the Brookings Institution, the American Enterprise Institute and even the Trilateral Commission, a council of only 240 members. The commission, in New York, has had members such as Zbigniew Brzezinski and Jimmy Carter long before their names were household words.

"There are more watering holes for foreign-policy bureaucrats now," says Richard Falk, a Princeton University professor and a member of the foreign-relations council. But Mr. Falk is a staunch defender of the old-line council. The organization, he says, "is still critical for making a person credible in the foreign-policy community." Says another member, "The council is still the only game in town."

### Membership Drive

To try to make the game more exciting, the council is recruiting hundreds of new members, including some radical academics, non-Easterners and women, who were admitted for the first time in 1970. The drive already has pushed membership up to 1,800 from 1,200 in 1970.

The council last year also brought in a young and energetic new president, Winston Lord, once an aide to Mr. Kissinger. His goal, says one colleague, is to "shake things up."

That isn't easy in an organization with a lofty view of its place in history. In the World War II era, the council practically became an arm of the State Department, providing a reservoir of experts for the government. Council study groups are also credited by some with providing the impetus for such innovations as the World Bank and the International Monetary Fund.

So any change of image under Mr. Lord will be difficult to achieve. The council continues to conduct research into weighty (critics use the word "dull") international

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matters. And its Foreign Affairs quarterly, in which contributors write ponderously on everything from Vietnam to dollar devaluation, isn't exactly lightweight reading.

"We don't publish anything to be cute or provocative," says the quarterly's editor, William Bundy, who was a foreign-policy adviser to President Lyndon Johnson. "It has got to be serious. We never raise our voice."

The council's seriousness of purpose continues to attract foreign heads of state to off-the-record meetings to discuss international relations. The audience, says one council member, is still "the most influential in the world." That may be overstatement, but the council roster does include financial and corporate luminaries, five Cabinet members, more than a dozen Senators, the publishers of the New York Times and the Washington Post, and numerous journalists.

With the new chairman, the new membership drive and the attempt to shed the stodgy image, some members see hope that the council will regain its former preeminence. Some even see new attacks on the council as evidence of its resurgence. Besides the outcry from the evangelist in Zionsville, there is a book that concludes that the Council on Foreign Affairs is engaged in a new plot—to merge the U.S. and the U.S.S.R.

# COMPETITION ON THE WORLD FRONT

International Trade and Payments and the Position of the Dollar



*A talk by*

JOHN L. SIMPSON

*At a meeting of the*

AMERICAN INSTITUTE OF ELECTRICAL ENGINEERS

and

AMERICAN SOCIETY OF MECHANICAL ENGINEERS

San Francisco, September 13, 1960

*During recent months, increasing consideration has been given to our international balance of payments. Mr. John L. Simpson, Finance Chairman of the Bechtel Corporation and a Director of our bank, gave a talk a few weeks ago which we believe was an unusually clear exposition of this subject. We have, therefore, obtained his permission to make the following reprint of his remarks available to you.*

—J. HENRY SCHRODER BANKING CORPORATION

**Y**OUR choice of subject, world competition and its future implications for us, is typical of your group. All business and all professions must look ahead, but engineering, by its very nature, must be particularly alert to foresee future things to design and construct, in other words, things *to do*.

Many new things in many fields will come to pass in our time and after us. This evening I am going to try to discuss, rather superficially I am afraid, some aspects of economic competition.

I have to start somewhere so I shall begin with Western Europe, especially the so-called Inner Six and Outer Seven, and try to lead from there to our own problems.

When the Marshall Plan, which applied mainly to Western Europe, was first proposed in 1947 the prin-

cipal argument used against it was, not its cost, but its futility. It would be money down the drain. A popular economist wrote a widely circulated brochure entitled "Will Dollars Save the World?" in support of this gloomy view.

Now the Marshall Plan was indeed very costly; but, on the other hand, the prophets of fiasco were quite mistaken. Our concern today is, not that the money was spent uselessly, but that Europe, revived and vigorous partly due to the Marshall Plan and partly to its own efforts, is proving a tough competitor. The believers in the Plan were right and now the question is, "Were they too right?"

The so-called "Miracle of Germany" has been widely publicized and great progress has been made elsewhere as well: in the United Kingdom, Italy, Japan, for instance. France's story, however, has been so clouded until recently by political instability and currency weakness that it is less well known. Yet from an economic standpoint France's recovery has been one of the most remarkable.

I know you are interested in our own trade position, loss of gold, accumulation of foreign dollar claims, and related matters; and I am coming to that shortly. Meanwhile, and by way of background, I want to mention the French Balance of Payments, which I had an opportunity to discuss recently at the Bank of France in Paris. (You recall of course that a Balance

of Payments reflects a country's net surplus or deficit on international account, resulting from trade, services, loans, grants, capital flow and all other items.)

After a long period of deficits the French excess or favorable balance in 1959 was actually the equivalent of \$1.7 billion. About \$1 billion was used to retire foreign debts of various sorts and the remainder to build up exchange reserves. The surplus arose not merely from current transactions with the rest of the world in merchandise and services, but also from inflow of capital from abroad and other "invisible" items, that is those which do not show up in the trade figures. This economic and financial improvement is all the more striking in that it has occurred despite the drain of the Algerian War.

I have spoken of France as an illustration and as one of the leading members of the European Economic Community, otherwise known as the Common Market, otherwise known as the Inner Six. The six are France, Germany, Italy, Belgium, Holland and Luxembourg.

This group of countries entered into an agreement in 1957 to form a customs union and to reduce and eventually eliminate tariff barriers and import restrictions among themselves. They seek to achieve a closely knit economic organization and actually propose surrendering certain of their sovereign rights to a supra-national authority; and they have already made considerable progress in that direction. Their aim is to present a united front and a common tariff to the other nations of the world. Fortunately the first move apparently will reduce external tariffs as well as those within the Common Market; much will depend upon whether and to what extent that policy is continued.

The Common market has presented serious problems to the other European nations, notably Great Britain. The British, when invited to join, politely declined, partly because of their traditional reluctance to become involved in Continental political entanglements and partly for fear of being obliged to abandon Commonwealth preference and thereby damage Commonwealth trade. Later the Common Market countries, especially France, became less desirous of having Britain join.

So the British and six other nations formed the European Free Trade Association, referred to as EFTA or the Outer Seven; the other nations being Denmark, Norway, Sweden, Switzerland, Austria and Portugal. The Outer Seven program provides for the formation of a flexible customs union, with each member retaining control of its own foreign economic policy including tariff arrangements with other nations.

Efforts are being made to bring these two groups together in some fashion. Those in England who oppose the merger argue, however, that it would be damaging not only to Commonwealth trade relations but

to relations with the United States. The distinguished journal, *The Economist*, on the other hand is urging Britain to join up. A member of the Macmillan Government explained to me earnestly that we Americans should not be apprehensive if Britain were to join the Continental group, because Britain would be a liberalizing and moderating influence—therefore we should rather welcome it. The recent talks between Prime Minister Macmillan and Chancellor Adenauer are reported to have improved the chances of an amalgamation.

Now of what should we be apprehensive, if at all? Well, perhaps of a large compact European bloc—some 90 million people of the Outer Seven added to 165 million of the Inner Six—with low labor costs, a great trading urge and tariff policies unfavorable to us; in other words, a further threat to our already impaired Balance of Payments.

And that brings me back to the United States and to our problems here at home.

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A counterpart of improvement in the trade and payments position abroad, as for example in France, is our own international payments deficit. This shows up in the accumulation of foreign short-term claims against us and the drain on our gold stock—which has dropped from a peak of \$24 billion to slightly under \$19 billion today. Just how serious is this?

Fortunately you gentlemen are accustomed to figures, as I must use some.

We require at present \$12 billion gold as a primary reserve for our currency and bank deposits and we now possess, as mentioned, \$19 billion. This is a surplus or margin of \$7 billion. At the same time foreign-owned current claims, mostly bank balances and marketable U. S. Government securities, amounted on last June thirtieth to over \$18 billion. (You see even higher figures quoted, but these result mainly from the inclusion of dollar holdings of the International Monetary Fund and the World Bank. Such holdings are of a different sort and are not, practically speaking, among our current liabilities.)

Of these \$18 billion of foreign-owned liquid assets a substantial part are of a business nature and are needed by their owners to support commercial transactions or to produce income. Well over half, however, are held by foreign central banks and other official bodies. These "official" claims could, in principle at least, be presented for payment any day, thereby drawing off our whole surplus gold stock and part of the gold reserve underlying our entire banking and credit structure. This would of course produce not only an American but a world financial crisis of the first order; and for that reason if for no other it is not likely to occur.

How did we get this way? one may ask. Well, the

fact is that we have been running Balance of Payments<sup>246</sup> deficits through almost all the 50's. The famous "Dollar Gap" of the 40's is a thing of the past. In 1957 we had a modest payments surplus, largely due to the Suez crisis, but in 1958 and 1959 the deficit ran along at the rate of between \$3.5 billion and \$4 billion per year and we lost almost \$3.5 billion of gold in those two years alone.

It is no wonder that we are worried about becoming non-competitive, being priced out of the market and perhaps seeing our dollar undermined. If you are a pessimist you can perceive plainly that we are going broke. If you try to be an optimist you risk being compared to the man who fell off the roof and remarked, as he passed the fifth floor, "I'm all right so far."

At this point, however, we had better have a look at another aspect of the international accounting. The Balance of Payments, which I have been discussing, includes everything, tangible and intangible. Balance of Trade reflects the exchange of goods, i.e. the difference between exports and imports of physical products. This is quite another story.

Just as we have had almost consistently an adverse Balance of Payments over the past decade, we have had in almost every month of that same period a favorable Balance of Trade. We constantly, today as in the past, export more than we import. The favorable trade balance dropped sharply to under \$1 billion in 1959 but this year exports are again up, with imports stationary, and we shall probably have an export surplus in 1960 of from \$3 billion to \$3.5 billion or more. (The 1951-55 average was about \$2.4 billion.)

Despite the wage-price spiral, featherbedding and other handicaps to be deplored, we have not yet been actually priced out of the market. And if American skill, ingenuity and foresight play their traditional parts I do not think we shall be.

The chief trouble is a somewhat different one. It is not so much that we can no longer compete in trade. It is rather that our position in the world today requires a *greater* trade surplus than we have been producing, in order to meet all the demands of our various commitments and activities abroad.

These demands fall mainly under the headings of our own military expenditures in foreign countries, the portion of foreign aid loans and grants not spent in this country, the flow of private foreign investment, and American tourist expenditures (which exceed materially what foreign travelers spend here). The so-called "services," such as transportation, etc., run both ways and complicate the figures somewhat. From a business standpoint, however, the above are the principal items causing our succession of Balance of Payments deficits.

Thus I am afraid I shall have to qualify what encouragement I have offered you on the score of trade.

I seem to take away with the left hand what I give with the right. We are not so feeble in competition as some would have us believe. Yet we are also not sufficiently strong in that field to cover all our political and military requirements and to satisfy our "Wanderlust."

So what is the answer? Of course if I really had it I would be delivering this address in Madison Square Garden to a packed house. The best I can do is to try to put some of the elements of the problem and some of the future possibilities in perspective.

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To deal with obstacles first, we must recognize that many of our competitor nations have higher rates of industrial growth—starting from lower bases—than we have. They also have lower wages and for some products lower costs per unit. In addition, interest rates in Europe at the moment are considerably higher than they are here, as our central banking authorities ease credit restraint in the interest of keeping business and employment on an even keel. This tends to cause a flow of liquid funds from our banking centers to Europe, seeking the best return. While this is, from the European standpoint, something in the nature of "hot money," at the present time it represents a further force working against us in the Balance of Payments.

These are all hard facts and they are part of the problem. I hope however that they will not impel us to seek certain remedies sometimes discussed but which would seem to me gestures of desperation.

For instance, it has been suggested that we devalue the dollar to give us an export advantage. Such advantage would, I believe, be temporary and illusory. Our action would almost certainly lead to retaliatory measures on the part of others and to a new period of competitive currency depreciation with the usual dislocations of commerce. As the dollar is the anchor of Free World currencies its devaluation would be destructive of confidence in all currencies and a shock to the whole international monetary system.

A high tariff policy would have some of the same consequences, namely retaliation and trade conflict with the impairment of the multilateral world trade program which we have painstakingly developed over the past decades. We should rather learn to live on new terms with the Common Market and the Free Trade Area, or even a union of the two; and if the European nations form customs blocs we should deal realistically with those blocs as such. We are a party to the General Agreement on Tariffs and Trade and are now meeting with the other parties to it in Geneva. This Agreement, known as GATT, offers a medium for negotiations with both European and non-European nations. If we bargain constructively they doubtless will too. Restrictions on American goods have already been relaxed in a number of countries as their

reserves and currencies have strengthened; further progress in this direction is both possible and highly appropriate in the circumstances.

As I pointed out, the flow of private funds into foreign investments is itself a negative item in our Balance of Payments. It would, however, be most regrettable if we were forced to discourage this. Capital is needed in various parts of the world, including the less developed countries—which represent a special problem too complicated to be dealt with here. It is greatly to our interest that such capital be, as far as possible and profitable, private capital, both in order to maintain and stimulate the private enterprise system and to lighten the burden on the American taxpayer.

Before leaving private investment I should mention that we are already witnessing, and shall continue to witness, a substantial return flow of income from private investments abroad, and this is a compensating factor.

On the positive side there are a number of constructive possibilities which could and should alleviate our difficulties. For one thing it is high time that the industrial nations which benefited from our post-war aid should participate more liberally in the present program of aid to the less developed countries. A number of them are now in a position to pick up a larger share of this burden. Another possibility is that of diminishing military expenditures on our part in foreign countries. I am not sufficiently familiar with military affairs to have an opinion on this, but I can conceive that in the age of inter-continental ballistic missiles and missile-equipped submarines our military establishments, not in total but abroad, may become less extensive and less expensive.

Here at home one of the essentials is control of our national budget, with a sound credit policy and corresponding control of the money factor in inflation. This is basic. If we cannot keep our domestic financial house in order our international accounts are not likely to balance.

The word inflation leads immediately to consideration of the wage-price spiral which, to the extent that we are less competitive, is one of the principal causes. If labor insists on pushing wages out of line with productivity, and if management acquiesces too readily in wage and price increases, we shall certainly be at a price disadvantage. At the same time it is quite likely that wages in Europe and elsewhere will themselves rise, which would help to narrow the gap. In a free enterprise world there is some tendency for these discrepancies to iron themselves out in the long run — but the run may be quite long.

One of our principal hopes lies in the field of technology, a field with which you gentlemen here are especially familiar. Advanced technology and a high ratio of capital equipment per workman are two of our

traditional advantages, which we must endeavor to maintain and utilize to the greatest possible degree. The objective must be to increase productivity and cut costs. You and your colleagues can help do that.

Incidentally, speaking of productivity, I may mention that a steel strike of nearly four months was certainly no help. No more was the failure of the automobile companies to give the public compact cars until the Europeans forced them to it.

There is probably to some extent a silver lining to the cloud of industrial competition. It has historically been the case that industrial development in a country or area has led to expanded markets for the products of other countries. The best markets are in highly developed countries. Business creates business. We are quite possibly going to witness this again and perhaps are actually witnessing it, in a moderate way, with the recovery of our exports from their 1959 lows.

To exploit this possibility fully we shall naturally need aggressive marketing programs and the best available information regarding market potentials. Our fellow San Franciscan, Mr. Philip A. Ray, Under Secretary of Commerce, has pointed out that foreign merchants are in many cases more skilled than Americans at competing for world trade and that they get more assistance from their governments. He has urged the development of the Foreign Trade sections of the Department of Commerce in order to provide the maximum of information and service to American business interests. Export credit guarantees can also play a role of importance.

Therefore, while I am by no means complacent regarding this great problem, and while I realize fully that the deficits of recent years in our Balance of Payments cannot continue indefinitely without serious consequences, I do want to point out that we have not yet heard the whole story. The future may hold good possibilities as well as bad. The results will depend largely upon how well and wisely American management, labor and Government join forces to constructive ends in the national interest. Also on how well our foreign friends and allies cooperate in the common cause, ours and theirs.

When I mentioned measures which I hope will not be taken I omitted one with which I would like to conclude. Some countries, in financial stringency, have found it necessary to ration foreign exchange for foreign travel. As I know that many of you may wish to visit Mexico City, Paris, Hong Kong and other places of your choice, I trust that you will never be restrained by being limited to \$5 or \$10 per day for the trip. I hope that you, like Americans before you, will be able to move about the earth freely; and that you will not only have a good time but will be able to look at some of these foreign problems on the spot and bring back some fresh ideas about them.

## THE DISPUTERS

A California Luncheon Group  
New York and San Francisco 1931 (?) to 1977\*

The California Luncheon Group, predecessor of The Disputers, originated casually in New York during the Depression. Breck, Torrey and Simpson happened to lunch together, and despite the prevailing gloom they had a good time. So much so that they decided to do it again in three weeks. They had no idea that they were starting something which would last almost half a century.

These three were therefore the founding fathers. However, they soon decided to take the curse off their Wall Street back-ground by including <sup>Frederick C.</sup> (Turk) Mills of Columbia and The National Bureau of Economic Research. Also, Allan Sproul of the Fed soon joined and was unanimously elected to the office of Scribe. No plan or program was fixed, but by custom luncheons were held every third Thursday, the members acting in turn as hosts at their clubs or places of business.

What did we find to talk about? Plenty: The state of the nation and the world, raunchy stories, and bets. And the bets, recorded by Sproul, were mainly what kept the Group alive. Anyone could offer a bet on any subject if he backed his opinion with a dollar. The field of disagreement was unlimited and included politics, economics, stock prices, interest rates, foreign relations, wars, revolutions, sports, weather conditions and even earthquakes.

In the course of time a few additional members were invited to join, but we realized it was essential to keep the number small, around seven to nine, in order to assure general conversation and argumentation. Occasional guests were welcome, especially visitors

\* Bets recorded by Sproul following. These notes by Simpson.



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from abroad, and we had some distinguished ones, including Lord Keynes, Geoffrey Crowther of The Economist, and Wilfrid Baumgartner, who had resigned as French Minister of Finance because he could not stand De Gaulle. Only two lady guests attended, Clare Booth Luce and Eleanor Dulles.

Two of our members, John Williams and Turk Mills, were candidates for President of The American Economic Association. (Turk won.) Professor Wesley C. Mitchell was an honorary member. He liked the betting and said that all professors of economics should be required to back their opinions with bets -- it would lead to less loose academic talk.

But all things change with time. Members died, moved away, retired. The Group diminished in both numbers and spirit. It began to look like the end. However, just as the Omayyads went to Spain and made Cordoba a new Damascus, so did the Group move westward to a revival in San Francisco under a new name, "The Disputers."

The membership included some returned California exiles plus a few others who had been guests in New York. Those present at the first San Francisco meeting are listed in the Sproul betting notes.

The Disputers disputed as vigorously as ever and expressed just as much astonishment and disbelief when they lost their bets. Sproul, however, would brook no dissent.

The outstanding characteristic of both regimes was that everyone had a good time. Again, however, the years took their toll, and we found ourselves getting older and facing the possibility of a fade-out such as occurred in New York. Therefore, it was decided to terminate in good order our companionship of amicable controversy.

Sproul has reviewed his betting notes and has selected a few to remind us of past "disputes." His findings are presented herewith as a memento of the last luncheon, September 8, 1977.

Present at last luncheon at The Pacific-Union Club:

Morris M. Doyle

W. Parmer Fuller III

C. Nelson Hackett

N. Loyall McLaren

Donald H. McLaughlin

John L. Simpson

J. E. Wallace Sterling

Allan Sproul

Henry C. Breck

Some Events in the Long and Disorderly Life of a Luncheon Group Created in New York in the Early 1930's by some Expatriate Californians, and Recreated in San Francisco in 1962, where it became known as The Disputers.

1. Written records of the group, in the form of little black books in which the bets made at the luncheons on all manner of subjects were recorded, begin in 1941.
2. Women: Clare Booth Luce, one of the two women who attended a luncheon of the Group (the other was Eleanor Lansing Dulles) was a guest on December 19, 1941.
3. August 25, 1942. Simpson bet Sproul \$1 to \$100 that Henry J. Kaiser would be the next President of the U. S.
4. October 22, 1943. At a luncheon at which John Maynard Keynes was a guest, a pool was arranged on the highest point that would be reached by the Dow Jones Industrial Stock Average during the next two years.

Keynes	265	Sproul	175
Breck	220	*Williams	175
Torrey	213	McLaughlin	175
Thornburg	200	*Mills	160.
Burland	195		
Simpson	186		

\*John H. Williams, Professor of Economics at Harvard and Frederick C. (Turk) Mills, Professor of Economics at Columbia, were members of the group. During their membership they were contestants for the office of president of the American Economic Association. Mills won.

On this same day, Keynes and Breck each bet Mills 2 to 1 that the Dow Jones Industrial Average would reach 200 within six years.

5. November 24, 1944. Witter (Jean) bet Graham Towers, Governor of the Bank of Canada, 2 to 1 that Russia would be at war with Japan within a year.
7. October 26, 1945. A pool on the peak of the Dow Jones Industrial Average in 1946 was arranged, again including Maynard Keynes.

*Keynes	265	Sproul	233
**Mitchell	251 3/8	Jeidels (?)	231
Breck	250	Simpson	220
Mills	240	Burland	218
Torrey	237.13	McLaughlin	200

\* Keynes picked the same number he had picked two years earlier.

\*\* Wesley C. Mitchell, Professor of Economics at Columbia; formerly on the faculty at U.C. Berkeley.

6. July 13, 1945. Torrey bet Simpson, Sproul and Williams that the Conservatives would lose the current British election and that Churchill, therefore, would not continue as Prime Minister. Torrey won.

8. October 26, 1945. Mitchell and Torrey bet Mills and Sproul, 2 to 1, that the Republicans would win the presidency in 1948.
9. December 14, 1945. Torrey bet Thornburg that one year from today the country will be in a hell of a mess, as evidenced by the headlines in the New York Times. The bet was settled by Bertil Ohlin, a Swedish economist who was a guest at the luncheon, in favor of Thornburg, on the ground that everything was normal in the United States on the appointed day -- rape, rapine, murders, midgets on J.P.Morgan's lap at a Senate hearing etc.
10. February 15, 1946. Torrey bet Breşck, Mills, Simpson and Sproul that one year after the inauguration of the next President (other than Truman) the group will agree that he is worse than Truman.
11. April 21, 1950. Geoffrey Crowther, Editor of the Economist, London, (a guest) bet Torrey that there would be a depression in the United States before January 1953, with eight million or more unemployed. (Nothing of the sort happened. Torrey won the bet but was never paid, Crowther pleading that the British exchange regulations prevented him from sending money out of the country.

Crowther bet Breck, 5 to 1, that there would be 6 million unemployed in the United States before January 1953. Crowther lost again with the same result with respect to payment of the bet.

12. The California restoration of the group, July 6, 1962, following the return of Sproul (Allan), Simpson, McLaughlin and Thornburg to California from New York over a period of years. At the first San Francisco luncheon, which was held at the Bohemian Club, Loyall McLaren and Bob Sproul, who had often been guests of the group in New York were included in the group.
13. Additions to the group in following years:

December 12, 1962. Marshall Madison.

June 20, 1963. Ken Monteagle.

February 6, 1964. Morris Doyle.

March 26, 1964. Nelson Hackett.

September 2, 1965. Pedro Beltran.

October 28, 1969. Wally Sterling.

August 14, 1973. W. Parmer Fuller III.

January 24, 1975. Robin Farquharson, British Consul General.

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