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Presidential Management and Budgeting from War to Peace: Truman's First Budget Director, Harold D. Smith, 1945–1946

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This article provides a glimpse into cutback management long before the term came into use. The end of World War II was a major transitional stage in public administration, including demobilization, abolishing wartime agencies, and cutting military spending. It also included the need for novel governmental structures to deal with new subjects emanating from the war, including how to govern atomic energy, how to administer science research, merging the military services, and a policymaking structure to implement the goal of full employment. As Truman's budget director and de facto manager-in-chief of the executive branch, Harold D. Smith was at the crossroads of practically everything from April 1945 to June 1946. What did he do and how did it do it?

Keywords: US Bureau of the Budget, Harold D. Smith, President Harry Truman, Cutback Management, Reorganization

Introduction

Harold D. Smith, FDR's director of the Bureau of the Budget (BOB), had been a major figure in Roosevelt's presidency. Beginning in 1939, when Roosevelt dubbed him the "Great Reorganizer," he drafted the executive order creating the Executive Office of the President, strengthened BOB, brought some order to Roosevelt's ad hoc governing style, and, during WWII, was the de facto manager-in-chief of the executive branch. He also was a co-founder of the American Society for Public Administration (ASPA) in 1939 and served as its second president, establishing the precedent that the society's presidency would alternate between academics and practitioners (Lee 2021).

Historians have given Smith his due regarding his FDR years but much less to his work with President Truman. In their retrospective on BOB (after 1970, the Office of Management and Budget [OMB]), Dickinson and Rudalevige described Smith's tenure as inaugurating "the Golden Age" of the agency (2004-05; 2007). Positive appraisals of Smith's overall record began shortly after his death (Appleby 1947; Brownlow 1947) and continued into the '80s and '90s (Mosher 1984; Tomkin 1998). Literature in this century has similarly complimented Smith's service (Burke 2000; Pfiffner 2020). However, Smith's specific record under President Truman (April 1945–June 1946) has received little attention, being largely overshadowed by his successor, James Webb (later head of NASA in the 1960s). This recounting seeks to add this largely missing component to the public administration's historical literature. The research methodology is to reconstruct history based largely on

original and primary sources: archival collections, contemporaneous government documents and official papers, contemporaneous media coverage, unedited diaries, and memoirs.

April 1945

Before FDR's death on April 12, Smith had had only minor contacts with Senator Truman and none during Truman's brief vice-presidency. He testified before Truman's Special Committee Investigating the National Defense Program on an expensive military oil pipeline and refinery (Senate 1943). When the Senate debated a budget request from BOB in late 1943, Truman argued against Senator Kenneth McKellar's (D-TN) fierce effort to cut BOB's funding and to weaken its role. Shocked by FDR's death, Smith quickly pivoted and offered Truman to stay or leave, whatever the president's pleasure (Smith Papers: 4/13/45, 7:4).¹ Truman asked him to stay (Truman 1955, 58; 4/18/45, 6:3). They had their first meeting six days after Truman became president. Smith was all business. There were decisions to make. Some required reports to Congress about revising budget estimates based on war developments. Giving political advice, Smith said that, if he made those reports as informal information to Congress, they might be misconstrued as "interpretations about the President's attitude on the war which would not be justified." Perhaps it was best for Smith to formulate the reports as official presidential communications to Congress and for Truman to discuss them first with the two military secretaries. Truman said he would. Smith also wanted input from Army Chief of Staff George Marshall. Truman approved, saying, "Why don't you do that" (4/18/45, 6:3).

After that, Smith met frequently with Truman. From April through October (when they began meeting on the FY 1947 budget), they met 21 times. Smith was seeing Truman about once a week when he was in town. By the end of the year, Smith told Interior Secretary Ickes he thought the president was "a straightforward, honest man who wants to do his best for the country" (Ickes 1978, 10164). When Smith sought to bring back Paul Appleby as assistant director, he carefully checked with the president, in part because the new administration seemed to tilt to patronage appointments. Truman spoke well of Appleby, who he had dealt with when Appleby was USDA's deputy secretary (8/18/45, 6:3). Truman's approval also confirmed that the new president supported Smith's vision of BOB as a neutral and expertise-based institutional service to the presidency (4/26/45, 6:3).

With the end of the war in Europe in sight (VE-Day was May 8), management and organizational matters facing Smith were like running a film backward. Now he had to deconstruct the structure he had helped FDR build. Yet, the issue was more complicated than merely undoing the war machine. First, the war was not yet over. Second, the demobilization of the military, civilian agencies, and the industrial sector could not be done instantaneously. Gradual demobilization was needed to prevent mass unemployment, economic contraction, social dislocation, and hyperinflation when deferred consumer needs began chasing too few goods. In addition, the conservative coalition on Capitol Hill, long a critic of FDR's management of the war effort, was primed to criticize the demobilization for not moving fast enough. At their second meeting, Smith flagged for the president that some "Congressional committees were already taking some steps" regarding postwar policies and cutting federal spending, even though Smith was "so uncertain of these reductions that we are not prepared to propose them now" (4/26/45, 6:3). Nonetheless, Smith recognized the importance of the president being proactive.

Dismembering the War Machine: A Torrent of Executive Orders

Truman could reorganize the federal government based on the authority delegated to a president by the 1941-42 War Powers Acts, which would stay in effect until six months after the end of hostilities. But Truman was eager to show the public that he would dismember the

war agencies as quickly as possible, and executive orders were the fastest way to achieve this. He set up a committee to give him consensus recommendations. Called the “Big Three,” its members were John Snyder, head of the Office of War Mobilization and Reconversion (OWMR), Counselor Sam Rosenman (longtime FDR speechwriter), and Smith. A week after becoming president, Truman asked Smith for an executive order to transfer the Office of Surplus Property from Treasury to Commerce. Smith was suspicious of Treasury Secretary Morgenthau’s motive for agreeing to this given his consistent record of protecting his bureaucratic turf. Smith wondered if perhaps Morgenthau knew of some mismanagement (or even criminal behavior) and that he wanted to unload it before any scandal broke. However, Henry Wallace, the new commerce secretary (and Truman’s predecessor as vice president), was eager to energize his sleepy department with some war-related roles (4/17/45, 9:2). Truman signed it (Executive Order [EO] 9541). After Germany’s surrender, Truman was eager to keep going. He terminated the Office of Civilian Defense (EO 9562) and the War Food Administration (6/5/45, 6:3; EO 9577). He also signed a long-delayed plan to militarize the doctors in the Public Health Service. In mid-1944, Smith submitted a draft of an executive order to FDR to do this. However, there was intense last-minute lobbying against it, and FDR decided not to act, his typical political and managerial inclination (5/11, 6/7-8, 6/22-23, 6/30/44, 8:2). By now, Smith was convinced it was a bad idea and tried to persuade Truman not to sign it (6/12/45, 7:4). Truman rejected Smith’s advice and signed it anyway (EO 9575).

Japan’s surrender (VJ-Day was August 15) opened the door to expedite razing the war structure. In rapid succession, Smith prepared, and the president signed, orders terminating the Office of War Information (8/27-30/45, 9:2; EO 9608); War Refugee Board (EO 9614); War Manpower Commission (9/18-19/45, 6:3; 9/18/45, 9:2; EO 9617); Office of Economic Stabilization, which was folded into OWMR (9/18-20/45: 6:3 & 9:2; EO 9620); Office of Strategic Services (OSS) (9/20/45: 6:3 & 9:2; EO 9621); Foreign Economic Administration (EO 9630); Office of Censorship (EO 9631); Office of Fishery Coordination (EO 9649); and Small War Plants Corporation (10/22 & 30/45, 9:2; EO 9665). In a lighthearted sense, these actions were the last time in recent history to contradict Reagan’s famous quote that “The closest thing to eternal life...is a government program.”

In many cases, Smith became the target of lobbying by those who would lose power. For example, OSS head Donovan fiercely opposed ending his agency. In a meeting with Donald Stone, the BOB official in charge of organization and management, Donovan “blew up a great storm” in stating his case (9/13/45, 9:2). Nonetheless, Truman decided to proceed. He told Smith quite vehemently that he opposed the building up of what he called a “gestapo” of the intelligence and counter-intelligence wartime agencies (5/4 & 11/45, 12/11/45, 6:3). Some of those affected by these orders tried to fight it out in public—but anonymously. For example, a news story claimed that “some high administration officials doubt the wisdom of President Truman’s executive orders, which strip independent war agencies of their functions, and then shift the skeletons to established departments” (Wright 1945). Absent from the story were any named sources, indicating the strategic purpose of the leak.

Other executive orders kept agencies alive but shifted their mission to postwar reconversion. Truman renamed the War Production Board (WPB) as the Civilian Production Administration (EO 9638) and National War Labor Board to National Wage Stabilization Board (EO 9672). He also transferred the Coast Guard back to the Treasury (EO 9666). However, not yielding congressional racists, Truman extended the Fair Employment Practice Committee (EO 9664). By the beginning of 1946, Truman was even more eager to deconstruct the rest of the wartime government as quickly as possible. In part, this reflected public opinion of wanting to return to normalcy. Smith quickly prepared executive orders for Truman’s signature, utilizing, in part, the president’s war powers that would expire in March. Razing the wartime government included transferring some WPB functions to Commerce (EO 9673), placing the Director of Liquidation within the Office for Emergency Management (EO 9674), abolishing the US Typhus Commission (EO 9680), creating a housing expediter to quicken new home

construction for returning vets (1/11-18/46, 10:2; EO 9686), reorganizing war surplus disposal (EO 9689), abolishing corporations created by Rockefeller's Latin American office (3/21 & 29/46, 10:2; EO 9710), terminating the Petroleum Administration for War (4/25/46, 10:2; EO 9718), and closing the War Relief Control Board (3/28/46, 10:2; EO 9723).

Not all executive orders went according to plan, however. When Truman signed the executive order abolishing OSS, he had not solved the rivalries between the legacy agencies involved in intelligence, including the State Department, Army, Navy, and FBI. The bureaucratic turf warfare came to a head in early 1946. Smith, almost accidentally, discovered a draft executive order reorganizing intelligence on the president's desk, which had been snuck into the White House, bypassing Smith. It reflected the preferences of the military (Truman 1956, 57). Smith quickly called Truman's secretary and asked that the president not sign it until Smith could discuss it with him (1/8/46, 10:2). Smith told Truman that intelligence was overfunded, "with people falling all over themselves" (1/9/46, 7:3). He asked for more time to analyze the draft. Rosenman pointedly asked Smith (in front of Truman) if Smith wanted more time to study the budgeting aspect of the executive order. No, said Smith; he wanted to review "the intelligence aspects of it" (Truman 1956, 57). Smith noted that the draft ignored the problem of organization, much more than merely "a little matter of administration." Rather, structure was "the key to the problem in question, and whether or not it is properly handled makes the difference between success and failure in solving the problem." Bureaucratic compromises rarely resolved a problem, he felt. Instead, they usually protected the self-interest and rent-seeking of the agencies involved. For example, Smith felt "there did not seem to be even a clear understanding of what kind of intelligence was being discussed" (1/9/46, 7:3). Truman, impatient, agreed to a delay—but only briefly.

A few days later, Smith attended another meeting at the White House to move the issue forward (1/12/46, 10:2). It became public when one of the agencies leaked information about the conflict to columnist Drew Pearson. Probably coming from the military, it pointedly depicted the state's intelligence director and Smith as the heavies who were blocking the resolution (Pearson 1946). Smith was discouraged by these developments, telling an ally, "the proposed solution was bad" but that "he can do very little at this point" (1/14/46, 10:2). He apologized to Truman "about the way I had tackled the subject" but insisted that he was "being objective and impersonal" in his concerns. Truman generously replied no apology was necessary and that the final order "will be a lot better as a result of the argument" (1/21/46, 7:3). Truman eventually signed a directive (rather than an executive order) to circumvent potential legal challenges because executive orders could not supersede laws. The compromise created a National Intelligence Authority, a director of Central Intelligence, and Central Intelligence Group to coordinate the army, navy, and state (Truman 1962, 88-89).

Another proposed executive order reorganizing the Army and War Department largely came to naught (5/3/46, 10:2). Outgoing Secretary Stimson had submitted it to Truman for signature but, after talking to Stone, agreed to let Smith notify the president's secretary not to sign it—at least temporarily (4/11/45, 10:2). Smith lunched with General Eisenhower (now Army Chief of Staff) and incoming secretary Robert Patterson and told them many of the elements of the draft could be accomplished by the secretary on his own. Truman was "pleased" that most of what Eisenhower wanted could be accomplished in "an unostentatious manner." Eisenhower had personally lobbied Truman to sign the executive order when Truman invited him for an evening cruise on the president's boat (4/29/46, 7:3). Truman was very solicitous of Eisenhower, fully aware of the general's hero status and of rumors that he might have presidential ambitions. Truman did not want to give Eisenhower any reason to be unhappy with him. Eventually, Truman signed a modest order to revise Army supply organizations (EO 9722).

Reviving Presidential Reorganization Powers

Smith had long wanted Congress to renew the president's pre-war authority to submit reorganization plans to Congress subject to a legislative veto (by both houses). These powers expired at the beginning of 1941, but, after Pearl Harbor, the War Powers Acts gave FDR temporary wartime reorganization authority. Only a few weeks after becoming president, Smith asked Truman if he wanted to seek renewal of peacetime reorganization powers. When Truman expressed interest, Smith volunteered political advice on timing and legislative strategy. Smith reminded him of the expressions of "goodwill and support, which members of the Congress now showered on the President" right after FDR's death. Perhaps that could be exploited to pass a bill? "The President laughed and said, 'You are quite right'" (5/4/45, 6:3). Smith quickly drafted a presidential message to Congress and Truman issued it on May 24 (5/16/45, 6:3; 5/16 & 21/45, 7:4), his first message to Congress as president (Pemberton 1979, 1). Smith then followed up with a bill draft that asked for permanent reorganization authority (unlike the two-year limit for FDR) and that no agencies be exempted from potential reorganization (unlike the long list of Congressional sacred cows excluded in 1939) (6/6/45, 7:4).

But then everything screeched to a halt because "opposition began at once" (Pemberton 1979, 33). The Senate version of the bill went to the Judiciary Committee chaired by the always-difficult Pat McCarran (D-NV), no friend of public administration or presidents. (He had led the fight in 1940 against moving the regulation of aviation from an independent agency to the Commerce Department and, after Pearl Harbor, against moving civilian agencies from the capital.) On the House side, the bill was referred to the Committee on Expenditures in the executive branch, chaired by Carter Manasco (D-AL), another "leading doubter" of the idea (Associated Press [AP] 1945a). Then, AP printed an odd and unattributed story. Unnamed "congressmen" claimed Smith told them to delay consideration of the bill (AP 1945b). Smith was livid. He saw that a casual conversation with Manasco, requesting him to schedule a hearing, had been reconfigured by Manasco—on a not-for-attribution basis—into news. It made Smith look like he was undermining the president. Smith apologized to Truman saying, "I had not had quite so dirty a trick pulled on me at any time since I had been in Washington." Truman, not doubting Smith's loyalty and honesty, "assured me that I should not worry about it" (6/14/45, 6:3).

Manasco, running out of dilatory excuses, finally convened a hearing with Smith as the president's spokesperson. Smith's prepared testimony covered only eight printed pages, while members' questions took up 44 (House 1945a, 13-64), a reminder of FDR's long hard fight to pass the 1939 law. Members had major concerns. Good management and effective public administration were not compelling reasons. They did not like that the bill might permit a president to create new cabinet departments; that a legislative veto would require a vote by both houses, rather than one; and that some favored agencies might be touched, with Manasco starting off the bidding with a list of 21 exempted agencies. Also, they did not like that some independent agencies might be brought under the umbrella of a cabinet department and that quasijudicial independent regulatory roles might be subject to presidential control. Press coverage of the hearing indicated how unwelcome the bill was. One noted that "President Truman may have as much trouble as did his predecessor in persuading congress he ought to have the right to merge, abolish or reorganize government agencies" (AP 1945c). Another said that Smith "faced a group unconvinced that any major change should be made, particularly if it involves taking away Congressional powers" (AP 1945d). A few days later, McCarran held a senate hearing. Smith testified for a broad bill. While some senators expressed reservations, the hearing was less negative (Senate 1945a, 36-58). However, special interest groups jumped in to protect "their" agencies. For example, the National Rivers and Harbors Congress wanted to exclude the Army Corps of Engineers from potential reorganization (AP 1945e). They won ("Senate adds," 1945).

The House Committee then reported a version that was relatively strong, considering Monasco's opposition. It would exempt only six agencies from the bill, required both houses to disapprove a reorganization plan, but set a sunset of July 1, 1948 ("Backs president," 1945). After it passed the House, Smith was pleased and hoped the Senate would pass it unamended (Ickes 1978, 10051). He did not get his wish. The Senate Judiciary Committee "sliced down to near half-loaf size today the broad authority" Truman wanted (AP 1945f). A legislative veto would require passage in only one house, 13 agencies could not be touched, changes in cabinet departments were restricted, and either house could send a plan back to the president for changes. This last feature was tantamount to the power to amend a reorganization plan instead of voting it up or down. Burton Wheeler (D-MT) opposed the bill outright. In a thinly veiled slam at Smith and BOB, he said, "You and I know the President can't and won't draft these reorganization plans. Somebody does it for him and nine out of 10 of these professional reorganizers don't know as much about what they are doing as do members of Congress" (AP 1945f). Good government simply had little sway in the hot-house politics of Capitol Hill. Smith got worried and sent a memo to a friendly senator on changes he wanted (11/1/45, 9:2).

Impliedly, if they were not adopted, he would recommend a veto. But then, surprisingly, Truman suddenly received support for a strong version of the bill from an unexpected quarter: Senator Harry Byrd (D-VA), a conservative who opposed the 1939 Reorganization Act, admitted "he 'had changed his position' from relying on the Congress to initiate reorganizations. He declared that "only hope" of reorganizing "our vast and growing bureaucracy" lay in a president. When minority leader Taft (R-OH) pressed him if FDR's reorganizations had saved any money, Byrd replied that "I think Mr. Truman is far more economy-minded than the late President Roosevelt ever was" ("Byrd backs," 1945). The amendment Byrd introduced during the floor debate helped strengthen the relatively weak committee version. He also flagged another loophole, the blanket exemption for any agency having any "quasi-judicial powers." Most agencies had this, even if it was minute relative to their operations (AP 1945g). In the end, both houses passed a version that exempted 11 agencies, banned changes to cabinet departments, expired in April 1948, and required both houses for a legislative veto (AP 1945h). To press for the conservative goal of using reorganization to cut spending, the act stated the "expectation of Congress" that each reorganization plan would cut administrative costs by 25%. When he signed it on December 20, Truman said he wanted reorganizations to, among other things, save money, but that "I do not consider it probable that we will generally save as much as 25 percent, as suggested by the act." Truman announced that he was directing Smith to begin implementing the law by soliciting ideas from departments and "to take the lead" in drafting reorganization plans (Truman 1945).

At first, Truman was eager to move. *The Washington Post* quickly reported that BOB was ambitiously seeking to develop "a large-scale shifting and grouping of government functions" (Kluttz 1946a). Smith suggested a choreography for reorganization plans. The first few should be relatively noncontroversial. Then to submit ones that were more controversial. Truman agreed but, knowing Congress and the effectiveness of special interest lobbying, he reminded Smith "anything we propose will be fought about." In that case, even the early plans should be "something worth fighting about" (12/19/45, 6:3). In February, Smith sent Truman a memo on how he wanted to proceed (2/8/46, 7:3). Truman marked it up in pencil. Smith and Appleby could not decipher Truman's handwriting and gamely told him his scribbles "were not clear to us" (3/7/46, 7:3). Smith and Truman agreed about creating department-like entities for welfare and transportation to finesse the ban on creating cabinet departments. In early April, Smith presented Truman with several drafts (4/9-10/46, 7:3). However, a few weeks later, Truman got cold feet. Congress was "generally obstreperous and recalcitrant and inclined to go out of its way to cause him all the trouble possible" (4/29/46, 7:3). In particular, he decided to postpone reorganizing the Civil Service Commission (5/2/46, 7:3). Smith tried to revive the president's interest by emphasizing that it was easier to pass reorganization plans than laws (5/3/46, 8:3). Smith later confessed, "We had begun to think that he [Truman] had decided

to send up none of the plans” (5/16/46, 7:3). Stone told Smith Truman’s inaction was making it very hard “to hold up the morale of the staff working on the reorganization orders” (5/1/46, 10:2).

But Truman’s view suddenly changed in mid-May, wondering if good government might be an appealing political issue. He asked Smith for the paperwork for three reorganization plans; he wanted to announce it at the soonest press conference (5/15/46, 7:3). Smith briefed Truman over the next two days (5/15-16/46, 7:3). Plan 1 contained some omnibus and miscellaneous changes, but its central element was recreating FDR’s wartime National Housing Agency into a permanent independent entity of the same name. Plan 2 moved more health and social service entities to the Federal Security Agency (FSA), making it a health, education, and welfare department in all but name. Plan 3 also contained dozens of minor matters that Smith considered relatively noncontroversial.

Smith testified in favor of the three plans at a House hearing in mid-June. He was under attack from the start. Conservatives focused on cutting spending, but Smith was unable to document it beyond generalities. They were not interested, i.e., improving management was a means of cutting spending in the long run or of more effective spending. Another line of attack considered if the plans cut any functions now performed by the executive branch. Smith said largely not; these were transfers of functions. Parrying, he said that, as long as Congress assigned a function to the executive branch, there was a need for money and organization to implement it. If Congress wanted to cut functions, then a repeal was required (House 1946a, 71-73). Another line of attack was why had he not consulted with the business and industry groups that had the most interest in a particular change? Smith tartly replied, “It does not happen to be my business as Director of the Budget to consult people outside about these matters. I have some limitations which I must observe” (66). As for opposition from special interests, Smith said that, with every reorganization, “people get jittery, they get scared, they see all kinds of skeletons in the closet.” He admitted he was sounding like a “practical psychologist.” Still, he was accurately portraying the asymmetry of reorganization politics. The beneficiaries of the status quo had enormous incentive and leverage to oppose change, while public administration professionals could only argue for a principle that “there is something to improving arrangements in organizations” (72).

The most opposition was to the National Housing Agency. From the right, the attack came from the housing industry, which claimed that the public housing branch of the agency would dominate the culture and policies of the agency—making it anti-business. Smith conceded that this was accurate based on funding because it ignored the very large impact of the credit functions of housing programs undergirding private housing because those were not based on annual appropriations. From the left, the criticism was that the agency “is dominated by the private [housing] interests” (60). The hearing was a synecdoche for the politics of apolitical public administration. Eventually the House vetoed all three reorganization plans.

Now attention shifted to the Senate. At a hearing, McCarran let committee counsel J. G. Sourwine take the lead, and Smith “was subjected to close questioning” (“Legality,” 1946). Some of his questions made the point that, although BOB had solicited ideas from all departments and agencies, its final plans were not limited to those from the agencies. This implied BOB was unresponsive to departmental requests and that it did not confer back with agencies before submitting drafts to the president. He also persisted in trying to get Smith to name names. He wanted Smith to identify which BOB officials were in charge of preparing the plans. Smith ducked, saying many in the agency were involved, perhaps as many as half of all staffers (Senate 1946b, 30). (The rest of the story occurred after Smith left. The Senate did not veto Plans 2 and 3 but concurred in the House veto of Plan 1 on housing [Pemberton 1979].)

Truman's First Budget, FY 1947

The FY 1947 budget cycle began in the summer of 1945 when Smith distributed to departments and agencies guidelines for submissions (7/13/45, 9:2). Only a month later, VJ-Day made them outdated. In mid-August, he issued revised instructions (8/17 & 21/45, 9:2). In October, Smith asked Truman how much he wanted to be involved. Smith had experienced how much Roosevelt enjoyed budget decision-making in the pre-war years, followed by near-zero involvement in his later years. Smith told Truman he would soon “begin to present to him a good deal of material on the new Budget, and that this would probably be rather burdensome. He [Truman] said not to worry about it, adding that he liked to get rather deeply into the business of the government and that he would be prepared to devote whatever time was necessary” (10/30/45, 6:3). Smith brought his first passel in November. For each agency, he shared with Truman the bureau's recommendation along with highlight memos summarizing key points. “The President went over these memorandums. In some cases, there were brief discussions of the points. ...After this discussion, the President O.K.'d the budgets as submitted. He asked that I send him copies of the highlight memorandums so that he might have them on his table near his bed, as he wishes to get the departmental picture thoroughly in mind” (11/9/45, 6:3).

Now their meetings became more frequent and the issues more important. They talked extensively about the USDA budget, which was complicated financially and had embedded in it many policy decisions. “The President seemed to think that our disposition of the policy issues was reasonable, and he approved the budget without change.” Regarding protests already coming in from the Maritime Commission about its budget, Smith admitted, “It was a case of our guess against theirs.” Truman said that, when his committee investigated the commission's wartime spending, “He was shocked by the lack of business methods in the administration” of the agency; therefore, he rejected the appeals and upheld BOB (11/23/45, 6:3). The next meeting covered the Justice Department's budget. “The President did not ask many questions, and he O.K.'d the budget.” Then, Smith raised the awkward issue of BOB's own budget. He said he was recommending an increase of half a million dollars and then paused to let Truman decide the issue. Truman did not hesitate. “The President then said, ‘I readily approve your budget request. I doubt that it is enough. Let's take some time before too long and go over the whole situation’” (11/28/45, 6:3). On December 5, “The President passed on the budgets of remaining agencies by reading over the highlight memorandum and O.K.'ing them with very few comments. He did speak about the magnitude of the job facing us in the Veterans' Administration and about the struggle over some of the projects in War [Department's] civil functions” by the Army Corps of Engineers (12/5/45, 6:3). At their last meeting on agency budgets in mid-December, they talked about a USDA protest on cuts in administrative expenses. Smith was looking to Truman for a decision or, at least, guidance. But Truman simply “left it up to me to make such adjustment as seemed desirable.” Smith told him that when cabinet secretaries complained to the president, his general inclination “was trying to make adjustments which would recognize the judgment and responsibility of the operating people [i.e., line administrators] and which would also relieve the President of Cabinet members who would undoubtedly” complain. Truman reassured Smith of the confidence he had in BOB's final decisions. Smith was gratified by Truman's “gracious remark” (12/11/45, 6:3).

The last step involved drafting the president's budget message. At this point, Truman had been president for about seven months and generally maintained FDR's precedents. To begin, Smith and Appleby presented the tentative topline figures for the budget. Truman directed them to prepare an “honest” budget that was significantly unbalanced (such as including a loan to the UK) rather than a “politic” one (omitting the loan and other items) that falsely made it look nearly balanced (12/19/45, 6:3). Otherwise, he was content to let them proceed as they had with FDR. They came back with a relatively polished draft in early January. Smith suggested that Truman read it aloud, as FDR used to. That would help assure that key details

conformed with Truman's views. Truman did that and provided modest feedback, including on public works and education policy (1/4/46, 7:3). Now, Rosenman worked on polishing the message (1/11/46, 10:2). The new treasury secretary, Fred Vinson, raised several last-minute objections, paralleling Henry Morgenthau with FDR. Vinson asked that the budget message omit all discussion of taxes and revenues and submitted wholly different revenue estimates than BOB's. It culminated in a shouting match in the Oval Office, with Vinson doing most of the shouting. Vinson seemed oblivious to Truman's own assessment of the politics of this budget as well as Truman's not-too-subtle hints that he was agreeing more with Rosenman and Smith than Vinson. Smith was shaken by how Vinson treated the president (1/15/46, 7:3). The next day, he sent a memo to Truman about tax policy but mentioned that the meeting "has troubled me considerably," not just for its atmosphere but also for the "fundamental issues" of deciding on taxation in the immediate postwar years (1/16/46, 8:3). When the budget was completed, Truman maintained FDR's precedent of holding a budget briefing for the White House press corps. He led the meeting that lasted about an hour (1/19/46, 10:2). During the briefing, Smith and Appleby answered some of the more detailed matters (Truman 1962, 24-36). Truman later told Smith he was pleased with the session (1/21/46, 7:3).

Once Truman sent the budget to Congress, the annual review of BOB's own budget request began with a hearing by the Independent Offices Subcommittee of the House Appropriations Committee. The new chair, Joe Hendricks (D-FL), claimed there was duplication of activities between agencies. What was BOB doing about it? Smith politely asked, "What sort of duplication?" Hendricks replied that the head of an unnamed agency "was simply gathering information from two other constituent agencies and coordinating that information." Smith said he would be glad to look into it, but that BOB was active in overseeing federal statistical activities, and he thought it was unlikely (House 1946b, 29-30). Hendricks may have been confusing the act of collecting original statistics with an agency seeking statistical information held by another agency. Smith had a more productive exchange with George Mahon (D-TX) on the budget process. They talked about the respective roles of Congress and BOB, with Smith acknowledging the need for a closer relationship, and Mahon conceding that BOB had a better capability to oversee budgeting than Congress. Looking forward, Mahon asked Smith which areas Smith was hoping to focus on. Smith suggested grants-in-aid, subsidies to airlines (through airmail rates), and collection of delinquent taxes (36-40).

The House declined to fund the net increase of about \$400,000 for BOB that Smith and Truman had requested and made a further decrease of about another \$400,000. Smith had no choice but to appeal for restoration of such a significant cut to his long-time nemesis, Senator McKellar. McKellar began the hearing with his usual truculent tone but quickly excused himself to participate in the Southern filibuster against the Fair Employment Practices Committee. He handed the gavel to Theodore Green (D-RI) who sidetracked the discussion to congressional staffing and borrowing staff from executive agencies (Senate 1946a, 28-36). Quickly adjourning the hearing after discussing this ancillary subject, Green neglected to give Smith the routine opportunity of a testifier to submit a prepared statement for the hearing record justifying restoring the funding denied by the House. Smith returned to his office frustrated (1/30/46, 10:2). The next day, when he met with the president, he reported on the hearing "in a depressed manner and with a doleful tone. ...I pointed out that I thought I had done everything I could do, although I felt singularly inadequate as a salesman in the face of the results." Truman said he would do what he could to help and generally tried to buck up the morale of his budget director (1/31/46, 7:3). However, the version approved by the Senate Appropriations Committee was mixed news. It restored funding to FY 1946 levels, but—reflecting McKellar—banned field offices. Truman again promised to help and a friendly *Post* columnist tried to draw attention with sympathetic coverage (Kluttz 1946b; 2/8/46, 7:3). When the bill went to the Conference Committee, Mahon strongly advocated for BOB (3/19/46, 10:2). In the end, Smith got a modest increase (about \$200,000), and the ban on field offices amended to opening new ones (60 Stat. 61). (Smith had been hoping for two more.)

Tutoring Congress on Good Public Administration

Smith was unusually proactive on Capitol Hill because most of the big issues of structure and policy had been deferred during the war. For example, there was support for unifying the military after the war and, from democrats, for economic policymaking to prevent a postwar recession. The reconversion period was the window for action.

Organization of Congress

In retrospect, 1946 was a pivotal year in Congress's oversight of public administration. One key action was inaugurating "legislative-centered public administration" with the passage of the Administrative Procedures Act (Rosenbloom 2002). (FDR had vetoed an earlier version, and, by a close vote, the veto was upheld.) Another key action that year was the recognition that the structure of Congress was outmoded and needed reform for the postwar world. The Joint Committee on the Organization of Congress was bipartisan, with an equal number of democratic and republican members. Somewhat surprisingly, Smith was invited to testify on reorganizing Congress. Its staff director, George Galloway (loaned from the Library of Congress), invited Smith to present his views (5/8/45, 9:2). The member presiding at that hearing said, "because you work with all phases of the Government, we would very much like to have you...give us the benefit of whatever suggestions you wish to make" (Congress 1945, 669). Smith had prepared an extensive statement that covered the horizon of good government reform. He drafted it with the assistance of several BOB staffers, including political scientist V. O. Key (5/14 & 28/45, 9:2).

Smith called for reorganizing the jurisdictions of committees—but not in order to parallel the (current) structure of the executive branch. Rather, he suggested they be organized by subject or policy area, such as water resources. That would be a way to assure legislation would create consistent and comprehensive federal policies, regardless of the agencies involved. He also recommended term limits on committees to prevent overspecialization and excessive influence by a handful of members, consolidating annual funding for the federal government into a single bill, and expanding the bill to include revenue. For committee staffing, he proposed a central staff that would be a general pool to provide experts to committees. Finally, he called on Congress to focus on policy—not on administrative minutia (Congress 1945, 669-85). An indication of his standing as a (relatively) nonpartisan expert came during the hearing when two committee members, a conservative democratic and a republican, complimented him (684-85).

Full Employment Economic Policy

In 1944 and 1945, Smith had established himself as one of the administration's spokespersons on postwar economic planning and macroeconomic policymaking. Smith worked with Senators James Murray (D-MT) and Robert Wagner (D-NY) to draft the Full Employment Act of 1945; he also coordinated testimony by executive branch officials (3/12 & 6/8, 9:2). He was seeking to promote what could be seen as a peace dividend. He asserted that the sharp reduction in federal spending and the demobilization of draftees would not cause a recession or even a depression, even though traditional business economists were predicting that. When Smith appeared on August 30, he tried to focus on principles, such as the need for the federal government to enact policies to promote full employment, the respective roles of the president and Congress in pursuing full employment, and that the annual federal budget be crafted toward accomplishing full employment (Senate 1945b, 676-705). He spoke with assurance on economic matters, such as avoiding "the twin dangers of inflation and deflation" (676), the phenomenon of "'frictional' unemployment" during major changes in the economy (677), "debt management" (682), "the 'tool chest' of government policies" that were available to the federal government (681), and the fundamental changes in the national economy over the past decade that had shifted from "slower moving phases" to one that "is more volatile" (698). He

endorsed requiring an annual presidential message aimed at achieving full employment and creating a joint congressional committee to oversee this goal. Without ever saying it explicitly, he was hoping that BOB would be designated as the fulcrum for presidential economic policy.

Senator Taft (R-OH) intensely cross-examined Smith. A consistent conservative, Taft supported an unfettered business-based economy and opposed big government, including deficit spending, economic stimulus, federal controls over the economy, and government planning. Smith stayed on message, sticking to generalizations. However, at one point, he replied to Taft that “I think a good deal of damage has been done by the rumors and the arguments that the Government is going to the left or to the right. Sometimes it is merely blowing up in the middle” (702). Demonstrating his comfort at testifying at congressional hearings and his sense of humor, a senator lightheartedly asked if he agreed with the definition of a statistician as a person “who draws a mathematical, precise line from an unwarranted assumption to a forgone conclusion.” Smith replied, “Since I must rely on statisticians, I prefer always to be in their good graces” (703).

The House version had been referred to the Committee on Expenditures in the executive branch. Smith asked to testify, and Chair Manasco accommodated him (House 1945b, 58). Manasco and leading republicans on the committee pressed Smith repeatedly and extensively about antibusiness dogmas that they claimed were baked into the premises of the bill. Smith tried not to be pinned down, not to be baited into wildly speculative answers, and to keep to the contents of the bill (58-103). His testimony lasted four hours, which he described as “grueling” (9/25/45, 9:2). Manasco was, again, against this bill and trying to defeat it indirectly. His tactical gambit was to suggest that the president’s next budget, due in January, include a “trial” version of what a full employment budget would look like. Maybe that would alleviate some concerns, he innocently suggested (101). Smith, seeing the obvious trap as a way delay the bill, did not commit to doing that. No naïf when it came to political tactics, he finessed the trap by sending a memo to the committee two weeks later. He attached a BOB memo on “Estimate of Unemployment in 1946” and claimed this fulfilled Manasco’s request. He emphasized that his statistics were “made in consultation with various statistical agencies of the Federal Government,” thus preemptively rebutting likely accusations the memo was only based on BOB’s own statistics (103-04). In the fall and early winter, Smith continued working with supporters of the bill to refine it and deal with newly raised issues and problems (10/23/45, 9:2). In particular, Smith opposed creating a federal commission for pursuing full employment or even an interdepartmental cabinet committee. The duty should be vested in the president, he said. If Congress insisted on assigning a department to be the lead, he vehemently opposed giving it to the treasury, a preternaturally conservative department. Smith also emphasized the bill deal with the “administrative side” of the policy. Otherwise, it “will fail solely because it cannot be adequately administered” (12/17/45, 9:2).

Science Research

One of the most intensely fought policy battles in the postwar era was the organization and control of scientific research (Kevles 1975; 1977; Price 1981; B. Smith 1990). Both sides were jockeying for position before VJ-Day. In November 1944, Vannevar Bush, head of the wartime Office of Scientific Research and Development (OSRD), asked Roosevelt to sign (on the spot) a letter Bush brought, which directed Bush to recommend postwar science policy and organization. Smith protested vehemently to FDR for signing it. The fight picked up in intensity with Truman. In part, the fight was over who would control research and federal funding: scientists or government? Another was control over military-oriented research: scientists or the military? Other issues crowded in but were essentially the same. Who should decide declassification of research? Should a corporation that conducted federally funded research be able to patent its discoveries or were they in the public domain? In all, this was a classic example of rent-seeking by outside interests for permanent control over “their” federal agency (Raadschelders 2020, 231-37).

The number of meetings and phone calls that Smith had regarding these interwoven issues indicates the importance of the fight. From April 12 through August, it came up on 26 days (4/13-8/27/45, 9:2). For example, in a conversation with Commerce Secretary Wallace, “Smith was thoroughly alarmed about the fascist-minded proposal of Vannevar Bush...to set aside \$100 million for research which would not go through regular Congressional channels. The more Smith talked about this the more alarmed he became” (Wallace 1973, 438).

Smith was inflexible on the principle that science was no different from anything else: It should be managed by an administrator appointed by and accountable to the president. It should be in government—not autonomous or quasi-private. The manager of a national science foundation should not be appointed by a board of scientists. Rather, the board should merely be advisory to the CEO and the president. To be sure he was reflecting the new president’s views, Smith brought him a draft executive order giving power to declassify scientific research to a civilian agency (OWMR) rather than an entity controlled by scientists. Truman signed it (EO 9568). Next, Smith suggested keeping OSRD alive after the war ended, so that Congress (or the president) would not be stampeded by scientists. Truman agreed. Finally, Smith prepared presidential letters to the secretaries of war and navy stating administration policy on military research “must at all times be lodged solely with the framework of the government” rather than controlled by the National Academy of Sciences. Truman agreed and signed them, saying, “We cannot let this outfit run the Government,” i.e., scientists accountable to no one (6/8/45, 6:3).

At a showdown summit meeting, Smith said that scientists were not “a special breed with special consciences and special intelligence.” He insisted that science policy, research, funding, and organization be managed according to the same management principles applied throughout the executive branch. Finally, he opposed developing any compromise position based merely on the interests present at that meeting because “so many of the interests in the field of research were not even represented” there (8/27/45, 9:2). The culmination came during Senate hearings in October. In preparation for his testimony, Smith confirmed that Truman “supported a director and an advisory committee, rather than a board, to administer the research foundation, and the President said that he had” (10/5/45, 6:3). BOB staffer Don Price helped draft Smith’s statement (10/1 & 10/45, 9:2).

Smith’s testimony was probably the most concise summary of his public administration principles (Senate 1945c, 95-112). A federal science agency “should be so organized that it will be fully responsible to the President and the Congress.” It “must be a part of the regular machinery of government” and operated “through its own responsible agency, not by delegating the control of the program and turning over the funds to any non-governmental organization” (97). Furthermore, the agency should be headed by an individual, appointed by the president, possessing full administrative powers, and subject to removal. A science advisory board should not have management powers and should not appoint the agency director. If a board had control over an agency, then should a president be unhappy with a policy or appointment, “It would be much more difficult to determine which board members were responsible” (100). Regarding boards, “My conclusion on that comes out of some 25 years of experience in Government and Government agencies and observation of how boards in the Government work. If there is one thing that we have learned in Government administration over the years, it is that we should get away from boards. ...I think the most successful formula we have been able to devise and which experience supports is the single administrator with an advisory board. ... I don’t wish to be unkind, but I would not give advice on the theory and application of the atomic bomb. I have no hesitancy, on the other hand, in giving advice in the field of public administration. I think that we have learned something about that, and that it also has some of the attributes of science. I feel it is my duty to keep the scientists from making a mistake in the field of public administration” (103-04).

When the senators gave him an opportunity to rebut Bush's argument that a science board control this quasi-autonomous entity, he said, "I regret very much, frankly, as Director of the Budget, that the subject of what we do about research gets into the position of the scientists telling us how to organize the Government, because I think that is one area in which their competence doesn't meet the situation. I think a serious mistake would be made and we would deny all our experience in administration if we set up the other type of organization" (108). He kept hammering at the relationship between a board and agency manager. "If you divested the board of administrative responsibility, then you must divest the board also of responsibility for appointment of the director, because I would conceive that as being administrative responsibility" (109). He conceded that science might be a slightly different kind of subject from traditional governmental activity—but not that different. "I think you have here, yes, a slightly different kind of problem, but not one which justifies, in my judgment, throwing overboard what has been learned in the field of public administration. There is nothing here at all very unusual to deal with, from an administrative point of view" (110-11). He reminded senators that the USDA's research arm was headed by a single administrator, responsible to the secretary, and that its research was nonpareil (99). Smith also testified in support of free and open publication of research results and precluding them from private patenting. "The results of such research should be devoted to the general public interest, and not to the exclusive profit of any individual or corporation." As a general principle, science should be "brought into the main stream of public affairs" rather than "for it to grow in a state of irresponsible detachment" (102). He wanted "to keep them [scientists] from making a mistake in the field of public administration" (111).

Federal Corporations

Federal corporations, usually in the lending or credit fields, operated akin to private corporations. Notwithstanding the significant volume of their portfolios, they operated largely outside the oversight of a president, BOB, or Congress. Smith testified in favor of extending fuller governmental oversight, including BOB examination of its annual budget requests and operating programs. He said, "I have been concerned about the lack of general supervision and control of corporations" (House 1945c, 138). Asked to comment on the multiple objections to the legislation by these corporations, he echoed some of the points he had made regarding the claims of scientists for autonomy. "As I have looked at the arguments on the part of representatives of the corporations, that they have been extremely ingenious in devising arguments; there is no lack of talent, I should say, in that respect. From the standpoint of total Government policy, corporation business must be made a part of the total budgetary process, or else I think that we have a very serious weakness in the over-all control of Federal financing. ...It seems to me that it is futile to argue that simply because it is difficult, a corporation should go its own way, that a corporation is of 'a separate breed of cats,' and that it can be an independent principality in the Government." (139). Congress passed it (59 Stat. 597), gave Smith funding for these new responsibilities (Senate 1945d), and he imposed new reporting requirements on those corporations.

Selling Merchant Ships

Smith submitted testimony (but did not appear) at a Senate hearing on the sale of surplus government-owned merchant ships. He focused on four management and policy issues. First, he wanted the ultimate decision-making on the size of the reserve merchant fleet (i.e., those that would not be sold) to be the president's instead of an agency with a narrower perspective. Second, he wanted to expand who could buy surplus vessels to include wartime allies rather than limiting sales to domestic entities. Third, he wanted terms and conditions that were most beneficial to the taxpayers than buyers. Finally, he wanted proceeds to go to the general treasury. If they went directly to the US Maritime Commission, the windfall could be "conducive to loose budgetary practices" (Senate 1945e, 196). It should be up to Congress to decide how the commission could spend those funds. In all, Smith was articulating the public

interest, otherwise lost in a parade of rent-seeking and self-serving private corporations or other special interest groups.

Atomic Energy

A major postwar policy issue facing Congress was how atomic energy should be managed and controlled. The Senate created a special committee to draft founding legislation. As with scientific research, Smith had strong feelings about how to manage this new phenomenon, and Truman approved Smith's perspective (1/21/46, 7:3). At the Senate hearing, Smith expressed several public administration principles, which he claimed were well-established and valid because "we have accumulated some experience" doing it (Senate 1946c, 45). His critique was an extraordinarily detailed dissection of the small elements of lawmaking that were crucial to effective management in his view. The overall approach, he testified, was that the entity should be part of the executive branch and accountable to the president.

Smith said, as a standard-issue agency, it should have a monopoly on the subject (rather than splitting power between several civilian and military agencies), should be entirely civilian, and all patents be owned by the public. He argued that atomic energy was not such an extraordinary subject that it should be exempt from routine presidential guidance (33-34). After a senator suggested that the analogy should be to independent regulatory commissions, Smith countered that management of atomic energy was not a quasijudicial function and therefore did not require such autonomy. In particular, he said, if the Senate preferred a commission structure for policymaking, then he urged creating a CEO position, one who would be a presidential appointee. Beyond setting policy, commissioners should be prohibited from direct contact with staff, he said. Instead, Smith argued that all commission directives be through the general manager, like the TVA. "If the proposed Commission does not transmit its instructions to its divisions through a single person, the division heads will deal with individual members of the Commission themselves. They will naturally choose to deal with the member or members who they think will give them the answers they want, and to play one member off against another" (37). Smith recommended that the members of the commission should serve at the pleasure of the president, that the legislation not specify the subdivisions of the agency, and that the heads of these subdivisions should be appointed by the CEO (i.e., not by the president nor board). Smith also recommended that the atomic energy commission have only three members rather than five. A small board would inevitably require the president to appoint "broad-g[u]age" generalist scientists, rather than a highly specialized scientist-expert in a single subfield. He conceded that the number of members was a relatively arbitrary distinction, but that anything larger could lead to designated slots for rent-seeking constituencies. He made the point that, with a larger board, they inevitably would be "chosen to represent special groups and special interests" (44). He also urged that the legislation ban the commission from creating any corporations because a corporation could later argue it was autonomous and not subject to executive and congressional control (38). Finally, he tried to counter the facile view that legislative and executive oversight was zero-sum. Rather, he maintained, strong direction from the president and active congressional oversight made for good government and effective accountability (40).

Manager-in-Chief of the Executive Branch

BOB's Division of Administrative Management (headed by Stone) was active in cutback management. Smith and Stone provided practical and useful advice on the abolition or contraction of agencies. In July, the division issued a Management Bulletin on agency liquidation. The 15-page brochure presented a systematic process and checklist for this unusual aspect of public administration, including guidance for disbanding staff services such as budgeting, personnel, property, and records (BOB 1945a). Later that year, the division issued another bulletin on process charting "as a practical working device in attacking

management problems” (BOB 1945b). It provided tangible advice on how to prepare one, such as interviewing each person involved, including to “be friendly and considerate” in those interviews, “use simple language,” and “don’t criticize or make hasty suggestions” (8). It also put emphasis on visual presentation and pictorial symbols and how to identify trouble areas in a completed chart. When ready to share it with workers, BOB advised on making effective presentations, including before/after charts and colors (20). BOB sought to encourage management improvement at the working level, to demystify efficiency reforms, and to reach a broad audience of supervisors. Other management initiatives overseen by Smith and Stone included “on-the-job training for agency management staff, and several interdepartmental sessions for agency budget officers” and “standard forms and procedures for pay roll and leave records maintenance.” Toward the end of the year, they recommended “uniform personnel methods, forms, and records, and to improve retirement procedures” (BOB 1945c, 4-5).

Much of Smith’s management concerns in 1946 related to the White House staff and EOP agencies. The disorganization and consequent political strife and negative media coverage led to a presidential outburst in February. In January, Smith lunched with OWMR Director John Snyder, who had Truman’s confidence (Leebaert 2018, 98). Smith told Snyder he was concerned about “the state of Federal administration generally, with particular reference to the Cabinet” (1/2/46, 10:2). Snyder agreed and urged Smith to pursue the matter. Following up, Smith told Truman that he was disturbed that “a considerable amount of administrative chaos and friction was developing underneath the President.” Truman invited Smith to try to improve things (1/21/46, 7:3).

At the next meeting, Smith made a few suggestions. First, “you need good, continuous, organized staff work.” In part, Smith was implying a larger role for BOB, as a coordinating locus for just about everything that eventually went to the president except explicitly political matters. Second, Smith suggested that Truman’s emphasis on the centrality of the cabinet had hazards because cabinet members reflected the self-serving views of their departments and had trouble viewing issues more broadly. In particular, Smith urged less reliance on cabinet committees to hash out administration positions. They would result in compromises between bureaucracies, not necessarily good ideas. Smith wanted the president to get facts that were separated from policy judgments. Cabinet committee reports inherently meshed both. Third, Smith was concerned about how the employment bill would be operationalized. He immediately saw the problem of the new Council of Economic Advisors in EOP versus the Treasury Department. The president would need to prevent permanent warfare between them (2/8/46, 7:3). Smith followed up, sending Truman a memo on “strengthening presidential leadership in the executive branch” (Arnold 1997, 418). Things hadn’t improved by late February. “The President indicated that he was completely bogged down, and that he thought he had been reading as much as 30,000 words in memorandums every night. I remarked that he should not be doing this and that somehow we ought to get the staff and the White House organization in such shape that he would not be burdened with so much detail. To this the President again agreed. He commented that he was now going to have to write all of his own speeches. Throughout the conference, which lasted for half an hour, the President expressed various notes of despair about the avalanche of things that were piling up on him. ... I came away from this session with my own despair accentuated because of the President’s inability to use staff, as yet” (2/28/46, 7:3).

Appleby accompanied Smith to a March meeting with Truman. As they were briefing the president on reorganization, Appleby highlighted the “general objective [of] a reduction in the number of persons theoretically reporting to the President.” Instead, more people “should report to people who do report to the President.” Truman quickly added, “and to people who know how to report to the President” (3/7/46, 7:3). The next week, Smith and Appleby had dinner with Snyder and Truman’s secretary, Matt Connelly, to discuss ways “to eliminate the press of details on the President” (3/14/46, 10:2). In May, Smith was still concerned and again urged Truman to consider reorganizing EOP. “I fear that failure to do something to tighten the

organization of the Executive Office may prove to be as much of a stumbling block to you as it was to” FDR (5/3/46, 8:3). Nonetheless, Smith was vague about the specifics of what he wanted to propose for revising EOP. A think piece from staffer James Sundquist in early 1946 might have encompassed some of what Smith was thinking about. Sundquist identified the major problem in EOP’s operations as the lack of coherent and well-organized policymaking, i.e., too much flowed upward from agencies and departments without any presidential perspective. Even if Sundquist’s ideas were not identical to Smith’s, they most likely overlapped. Both could see that Truman was not well served by his staff, facts were not separated from proposals, ideas were not analyzed in depth, and a presidential perspective was often absent from policy options (2/20/46, Sundquist, BOB, Box 2).

Spokesperson for the Administration

Smith sought to explain the new president’s policies to the public-at-large. For example, he held a press conference on August 1 to report on estimated cuts in federal spending due to the impending victory over Japan. About 40 reporters attended. After Japan’s surrender, Smith released further revised spending estimates. He expected that the end of the war would mean a spending cut of \$15 billion in FY 1946 (8/30/45, 9:2). Much of Smith’s proactive PR addressed the touchy political and economic policy issue of the wartime federal debt and his Keynesian effort to reframe it in the context of the national economy. Smith wrote an article for the mass circulation monthly *American Magazine* (Smith 1945b). He suggested that the size of the deficit was less scary than implied by conservatives, that it would not cause an economic crash, and that reducing it gradually was a sound approach. The next year, he wrote another article on the excessive paperwork that required presidential signatures. Smith, ever the pragmatist, could not understand why so many laws imposed on presidents the requirement of signing of scores of unimportant documents. He argued that so much of a president’s time and attention were consumed by signing unimportant paperwork (Smith 1946a).

In a deliberate effort to reach conservative opinion leaders who believed in the orthodoxy of balanced budgets, he spoke to business audiences. In April, he gave an informal talk to the Government Spending Committee of the National Association of Manufacturers (NAM). He had disagreed with a committee report claiming BOB did not engage in budgeting, i.e., focusing on cutting spending, as early BOB directors had (4/25/45, 9:2). The next month, he spoke to the National Conference of Business Paper Editors (5/7/45, 9:2). At the end of the year, he spoke at NAM’s annual conference on “The Government’s Budget and the Nation’s Budget.” He tried to allay some of the more hyperbolic claims about deficit spending that were popular tropes in conservative business circles. Smith was, again, trying to make the point that, in the context of the macro-economy, the size of the federal debt was manageable and would not cause a depression on its own (1945a, chap. 8). The most comprehensive summary of Smith’s economic and budgeting views was a speech on the National Tax Association. He argued that high and persistent government spending was neither immaculately conceived nor secretly controlled by presidents and budget directors. Rather, spending was the result of what people wanted, or at least, what specific populations sought. Another driver of spending was because “the competition between the armed services is an expensive luxury” (Smith 1946b, 499).

In the relative proportions of the spending categories, the military was so much greater than those of domestic programs. Anyone serious about cutting government spending had to include the army and navy. On the tax side, Smith gave a parallel argument. Yes, people wanted tax cuts, but doing so when the economy was already inflationary would worsen price increases because people would have more discretionary income to spend. Also, cutting taxes meant the federal government could not reduce the federal debt from the war. Smith stated flatly that the budget could be balanced and the annual deficit zeroed out in the foreseeable

future. He said, "We can expect to balance the budget in fiscal 1947" (499). With this message, Smith was wading deeply into political waters. He knew what he was doing. When clearing the speech with the president, he told Truman, "I felt that the Director of the Budget, who is regarded as non-political although he is appointed by the President, might be able to say with considerable effectiveness early in the game and before the political campaigns begin that 'I can assure you that this Administration is committed to balancing the budget and not only will the budget be balanced, but it will be balanced with a surplus'" (5/22/46, 7:3).

Media coverage continued to convey Smith's importance. In August, *Newsweek* profiled him under the headline "Mr. Smith Stays in Town." It described him as "the slow-spoken, placid-appearing" budget director who served as "the President's general manager and chief efficiency expert." The magazine estimated that, during FDR's presidency, about 60% of all of Smith's recommendations to the president were adopted, "a high score considering the political and personal opposition many provoked" ("Mr. Smith," 1945). At the end of the year, another weekly, *United States News*, featured him on its cover with the caption "Harold D. Smith...Directing Our Postwar Budget." The profile described him as "an inconspicuous Washington official, [who] is, next to the President, perhaps the most powerful man in the Government." He was "not interested in social reform as part of his job. His approach to his task is completely nonpolitical. ...He regards his job as one of administering, not making, policy" ("Budget chief," 1945). Another profile in the *Christian Science Monitor* described him as "quiet-spoken, undramatic, persistent Mr. Smith takes a nonpolitical attitude toward his job and is an able public servant" (Stringer 1945). These characterizations demonstrate how successful Smith was at projecting an image and persona, no matter how it was at odds with reality behind closed doors.

The most portentous and ominous media coverage was by conservative columnist Constantine Brown. He claimed BOB staffer George Schwarzwaldler was about to be named as FBI director to replace J. Edgar Hoover. The column emphasized that Schwarzwaldler had started his professional career as a social worker (a derogatory term to conservatives), and that, before joining the federal government, he had "a variety of occupations," insinuating instability. At BOB, he rose quickly "due to his ability to handle the problems intrusted [sic] to him by the director, Harold Smith." Brown's most pointed criticism was that Schwarzwaldler worked on BOB's reorganization of the State Department. Aimed at streamlining the department, his plan led to increased employment rather than, as conservatives wanted, decreases. The new hires included "many 'outsiders,' that is to say, men who, while not conversant with actual diplomatic work, are fully familiar with and sympathetic to the new trends in the world."

Schwarzwaldler did not have Hoover's experience, but he still was the "foremost" candidate for Hoover's job because "he has very powerful support from friends he has acquired recently" (Brown 1946). In all, it was a political hit and character assassination by innuendo. A few days later, Fred Bradley (R-MI), a conservative congressman, added his own insinuations. One of Schwarzwaldler's mentors at BOB was probably Appleby, the former deputy USDA secretary under Henry Wallace. Appleby was "just as pink as Wallace." Bradley called on Truman to "put an end to these repeated efforts on the part of the Communists, radicals, and left-wing politicians in this country to dispose of Mr. Hoover" (Congressional Record 92:1, 165-66). The *Chicago Tribune* piled on charges "that Communists and their fellow travelers in the administration are seeking to oust J. Edgar Hoover" and to replace him with "an obscure official in the budget bureau" (Manly 1946). Smith was shocked. It was "a sarcastic article, [which] pretends to have heard a rumor" (1/18/46, 10:2). If only based on who benefited from it, it likely originated with Hoover himself. A shrewd bureaucratic politician, he was probably seeking to insulate himself from replacement by mobilizing conservatives and the media in a preemptive demonstration of how politically costly it would be to fire him. Hoover was right to be concerned. Truman did not like Hoover's directorship of the FBI, referring to it as "a gestapo." Truman said, "He has some knowledge of the work the FBI does and that he apparently does not approve of some of it." Smith agreed. "It was not altogether appropriate

to be spending Federal funds merely to satisfy curiosity concerning the sex life of Washington bureaucrats and members of Congress. The President seemed to agree heartedly” (5/11/46, 7:3).

Health and Resignation

Smith’s medical condition was an open secret in the capital. *Newsweek*’s profile noted that “overwork hospitalized him two years ago” (“Mr. Smith,” 1945). In late 1945, he telephoned Dr. Bruenn, the navy’s chief cardiologist at Bethesda (and FDR’s doctor) for an appointment. Conveying some urgency, he saw Bruenn two hours later (11/6/45, 9:2). Smith told a friend “His heart has been giving him a little trouble again. He is taking medicine for it and he has had to let up considerably in his physical activities” (Ickes 1978, 10116). His health worsened in December. At a House hearing, the chair began by saying, “Mr. Smith, I know you are not feeling very well, so I am simply going to ask you to make as brief a statement as you wish...and we will try to get through with it as rapidly as possible” (House 1946a, 23-24). Smith called Bruenn again, saying how poorly he felt (12/13/45, 9:2). Smith saw Bruenn a week later for an extensive checkup (12/20/45, 9:2). Smith told Ickes he believed “that his heart situation is going to straighten out if he is only careful enough,” by cutting back on work, reducing physical labor, and taking his medicine (Ickes 1978, 10229).

In early 1946, Smith told Truman he was experiencing “the recurrence of my coronary difficulty.” He thought he “had gotten fairly well over it until a few weeks ago when it returned to plague me.” He acknowledged it was “a disability” but thought it was only temporary. That was why he was trying to spend a bit more time away from work, varying his “pace,” such as to “take on a battle once a week rather than several battles a day.” Smith framed it in terms of BOB properly serving the president. For example, if Truman ever wanted to talk to him and Smith was out, that he should feel free to talk to Appleby as though he were talking to Smith. Truman was sympathetic and supportive, telling him, “I should take care of myself” (1/21/46, 7:3). In late January, he went to Bethesda for another check-up with Dr. Bruenn. Bruenn was about to leave the navy to work in New York City, and this was the last opportunity to meet (1/31/46, 10:2). A few months later, Smith admitted “he was not feeling too well” (4/24/46, 10:2). In mid-June, he returned to Bethesda for another checkup (6/21/46, 10:2). Longtime BOB staffer Roger Jones said Smith “was tired and he was really a sick man before he left here [BOB]” (1969, 87).

In early June, Eugene Meyer, the owner and publisher of *The Washington Post*, became the president of the World Bank, one of the new postwar financial institutions. Notwithstanding Smith’s health, Meyer offered Smith the vice presidency. It paid more than double his BOB salary, plus it was tax-exempt. Smith accepted and resigned in mid-June. Truman accepted the resignation “with very deep regret,” Washington-speak that it truly was a voluntary resignation. He praised Smith’s public service, including “the vision to see the national picture as a whole... You knew when to be firm in the face of exorbitant demands on the national treasury. Besides great ability, you brought to the work fidelity, integrity and loyalty” (Truman 1962, 309-10). The media also praised Smith’s record. *Post* columnist Kluttz summarized how much Smith had transformed BOB and the executive branch and that “the mark Smith made on Government will remain behind him.” He described Smith as having become “the President’s business manager” (Kluttz 1946c). Syndicated columnist Lindley described Smith as “one of our best professional public servants ... He is not only a first-rate administrator, but has a good knowledge of economics and finance” (Lindley 1946). The Republican *New York Herald Tribune* wrote that Smith “is regarded as one of the ablest career men in the Federal government” (Steele 1946).

Smith lobbied Truman to name Appleby as his replacement. Truman instead appointed James Webb, then an assistant to the undersecretary of the treasury. Appleby left to become dean of

Figure 1. Smith's First Day at the World Bank, June 21, 1946



Note: Uncredited news photo, original obtained from the collection of vintage news photos on historicimages.com. No known copyright holder.

Syracuse University's Maxwell School. When Truman appointed Webb undersecretary of state, Smith's longtime administrative assistant Frederick Lawton eventually became budget director and served to the end of Truman's presidency. At the World Bank, Meyer resigned in frustration after only six months. Smith quickly announced he would leave, too. Before that

happened, he died in January 1947 of a heart attack. His last speech, a week before he died, was on improving intergovernmental relations (1947).

Summary and Conclusion

In some respects, Smith's record at BOB during Truman's presidency presents a model public administrator. He was patient, detail-oriented, worked well with his team, and promoted comprehensive and data-based decision-making. He represented public administration and budgeting as nonpartisan, nonpolitical, and expertise-based. He tried to tutor Congress as to what professionalized public administration encompassed. That's why political scientists and historians later viewed Smith as inaugurating a golden age of presidential budgeting. Yet it would be a misconception to characterize the record of his stewardship as adhering to a separation of policy from administration, let alone a pure separation between politics and administration. Before FDR died, Smith even wrote publicly about the strong relationship between budgeting and larger issues of executive and legislative control (Smith 1944).

Smith largely obscured his role in policy by insisting that a budget director should be involved in all aspects of management (1945a). As documented in the preceding narrative, he operationalized his claim of a management portfolio by involvement in such policymaking as macroeconomics, science, atomic power, and increased control over federal corporations. However, he was careful to paper over this policy role by emphasizing he merely desired sound administration, accountability, and the public interest. BOB's involvement in management largely faded under Smith's successors. In 1970, President Nixon resurrected it when he reorganized BOB into the Office of Management and Budget, including it having an associate director for management.

Smith even tiptoed into politics. He advised Truman on a broad range of matters and used PR to advocate for the administration's substantive policies. As recounted above, he wrote a reassuring article on the war's debt in a mass circulation magazine, met with conservative and business groups to defend Truman's fiscal policy, and even claimed in a speech that Truman's FY 1947 had the potential of being balanced.

In the retrospect of history, he was having it both ways, being apolitical and political at the same time. That was a tough act to follow. In fact, after Nixon reorganized BOB, Congress insisted that the Senate must confirm the agency's director. It was a belated acknowledgment that the president's budget director could not separate budgeting, policy, and politics. They were inextricably linked in how a president governed. Smith may have played all those roles, but this was largely unrecognized at the time, probably a tribute to his exceptional skills, whether overt or covert.

Notes

1. Note to readers: Following APA style for concise references to archival materials with an accessible finding aid; citations from Harold D. Smith's papers henceforth are identified by date, folder, and box.

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