

Gerald R. Ford Oral History Project
Frank Zarb
Interviewed by
Richard Norton Smith
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Smith: OK. Maybe the easiest way to frame this, given the limited amount of time and unlimited amount of subject, is to ask you where you were on August 9, 1974 and where the country was in terms of energy, energy policy or lack thereof.

Zarb: The day the President was sworn in?

Smith: Yes.

Zarb: I was at OMB in the Old Executive Office Building. Paul O'Neill had an office right next to me. We were summoned to the White House that morning. President Nixon and his family appeared, teared up, and told us he was resigning. We watched, then Vice President Ford, walk him to the helicopter to leave for California. That afternoon we were back in the White House for the swearing in of the new President. So that day will be forever etched in my memory.

Smith: Did any of that, by then, come as a surprise to you?

Zarb: No, by then, it had not. But a month earlier, I remember Paul coming into my office with the *Washington Post*. Paul asked, "When is the man going to straighten this all out?" Hope lingered that he would say, ok here are the tapes, you see I didn't do anything wrong. That was three or four weeks before the resignation, it was eerie because you could see it coming.

Smith: A death watch?

Zarb: Yes. People at the White House fence, rather than being festive tourists, would hang on to the fence and look in quietly. Yes you could feel it coming.

Smith: Had you had contact with Ford during his Vice Presidency?

Zarb: Yes. I was at Office of Management and Budget and he would come in from time to time with requests from some of his congressional colleagues to get a project passed. Sometimes they were pretty good, other times they were sheer pork. I remember telling him one time that he was a great Vice President but a lousy picker of pork, which he knew and he would laugh. He knew exactly how I was going to respond. So the relationship was really good-natured. I was so proud to be in the same room with him. My being in Washington to begin with was a complete accident so my being there with the Vice President – I was in awe.

Smith: How was it an accident?

Zarb: I was an Executive Vice President and Partner of the securities firm, C.B.W.L. in New York. We had done some acquisitions and I ran the back office; which got some publicity. I had only been to Washington once, and that was a one-day tour. So I knew nothing of politics. I got a call from a man who said “my name is Fred Malek and I work for the President of the United States”. My first reaction was this is a hoax and I told him I was going to hang up. He said “before you hang up let me give you this phone number and you call back”. Sure enough it was the White House switchboard.

President Nixon had decided to reorganize the Cabinet and he wanted someone who came out of the management world in each Cabinet agency. He ultimately recruited 4 people with my kind of background; I became Assistant Secretary of Labor for management. After a little more than a year, and before Nixon’s re-election campaign, my wife Pat and I looked at our finances and decided we couldn’t afford to stay in government. My firm had asked me to come back and run the Sales Division, so I planned on returning. Before I left, Fred Malek introduced me to the Attorney General, then John Mitchell, who asked me to stay and join him on the Committee to Re-Elect the President. It was a job that finally went to Jeb Magruder. Now I would like to say I saw all that Watergate stuff coming, but that’s not true at all, I was flattered, and if I could have afforded to do it, I probably would have. We

went back to New York, but at the end of 1973 Malek called again. He said President Nixon was in trouble; they had lost a lot of people at OMB and needed someone to come back and get through the budget. Shortly after I went back to OMB the energy crisis hit. Nixon opened the Federal Energy Office when the oil embargo hit because shortages of oil supply were compounded by price controls, creating an economic crisis. They needed to have a federal energy office to allocate fuels. It was a nightmare. I was asked to continue my job at OMB and also head the new allocation office. Letters of Delegation of Authority from Secretary of the Interior, Director of OMB, and the Secretary of the Treasury delegated all their authorities to enable me to do this job - which was my night job!

Smith: Where was John Sawhill?

Zarb: I'll get to that. Nixon was getting closer to the end. The Federal Energy Administration is born. John Sawhill is appointed Federal Energy Administrator, I am back at OMB, and energy is in my portfolio. John Sawhill was a very able guy, also from OMB, someone I liked a lot, but he had a conflict with the President. The issue was gasoline taxes. The President's orders were: no gasoline taxes. John took a public position supporting a gasoline tax, so the President asked him to step down.

Smith: [John] Sawhill favored this as a conservation measure?

Zarb: Yes, as a conservation measure, he [John] was an active environmentalist. His motives were good. He did promote a gasoline tax publically once or twice and President Ford simply told John [Sawhill] that it was time to go back to New York. John [Sawhill] left.

Smith: So it's Ford, who in effect, has this policy disagreement with Sawhill?

Zarb: We should get into that because the President's policy did encourage higher gasoline prices. Everything we did under his direction was to try to get oil and natural gas price controls removed and allow prices go up naturally. Politically he knew it was a waste of time to propose taxes. Example: Al

Ullman, a democrat who was head of the House Ways and Means Committee, came to me one day and said he wanted to introduce a bill to raise gasoline taxes by 37 cents per gallon. I talked to the President [Ford] and explained that Ullman wanted our help. The President said “give him technical assistance and anything you can do help, but don’t endorse the taxes”. The *Bill* came out of the sub-committee at 9 cents, came out of committee at 1 penny, and it was defeated on the floor. He knew that every politician was aware if they voted to increase gasoline taxes, chances are their opponent was going to use that against them in the next election.

Smith: That clearly is something that he, as a Congressman, he picked up and knew.

Zarb: The President wasn’t opposed to the concept of higher gasoline taxes, he knew if we could get prices up it would induce more energy production and less consumption. I was at OMB and had just run the Federal Energy Office during the peak of the oil embargo. There was a man out of the labor movement who was being seriously considered to replace him, but something came up and the candidate did not go to the Senate for consideration. The President asked me, “What are you doing?” to which I replied, “I’m going back to New York, he said “Oh no...you’re not”.

Smith: What do you think, because you saw him from a number of perspectives and with a number of responsibilities shared and you obviously began to form impressions of the man, what did the public not know about Gerald Ford and perhaps still doesn’t know about Ford?

Zarb: Two things. He had a very unique intellect, a mixture of smart and IQ; just the right balance, with an extraordinary level of integrity. I think people then, and probably now, can’t believe anyone in Washington in politics could have the integrity level of Gerald Ford. We knew it because we worked with him. He ran the administration with genuine integrity. There was very little divisiveness in his administration compared to what you see today. He gave me the ability to work with a Democratic Congress because they trusted him. He just displayed this uniqueness of a human being that the public never captured. Here was a man about to run for election in 18 months, fully aware

that raising energy prices would negatively affect his campaign, but did it anyway. The hardest test in life is when you have to do the right thing while knowing it's not in your personal best interest.

Smith: In some ways he seems like a fore runner of Reagan energy policies.

Zarb: No question about it. I learned so much from him. When we sent this energy package up it was very comprehensive; lots of nuclear power, a lot of drilling for oil and gas, and miles per gallon standards for automobiles. I walked in one day and said "Mr. President, we have managed to piss off both the Republicans and Democrats". He had this special smile and he said "that means we have it just right". It was that aspect of him that was so unique, a sitting President who put the country before his own personal ambition. I don't think the country ever really understood that.

Smith: Do you think, of course we are such a television age and a President is often judged by his style and above all by his words and Ford wasn't a television president. He wasn't a glib or particularly eloquent president. Do you think people confused that with a lack of intelligence?

Zarb: Maybe. Presentation was part of it; substance was a larger part of it. He had so many negative things to deal with that he became vulnerable. The environmentalists went to war because they thought the democrats would do a better job of not disturbing the environment. The freshman class in the House was swept into office on the fumes of Watergate; they just wanted to stop whatever he wanted. The media was very unfriendly for a lot of reasons. Most of it had to do with the pardon. Surprisingly one of the important newspapers that supported our energy policy on its editorial page was the *Washington Post*. Ford understood that the energy policy would be a battle. He would tell me we're going to get this up to the Hill and we're going to fight like hell for it. He knew we wouldn't get everything we wanted with full price deregulation, but we'd get a start. Ford's view was when I am elected I'll go back for the full plan and with the election behind me I'll get it. So he was willing to accept the beginning of comprehensive energy policy and gradual price deregulation for the time being. But he told me "once I am

elected they won't dare turn us down" because the country was still afraid of what another oil stoppage would do to our economy. He had a political wisdom that went far beyond the rest of us.

Smith: That's interesting because you also look at how things had changed, culture changed during that period. You mentioned Watergate babies in 1974 because there is a story about the gradual de-control of natural gas prices and that basically at one point he had a hand-shake deal with the democratic leadership in both Houses. I guess Mike Mansfield was still there and Carl Albert.

Zarb: We met in the Oval Office, the four of us, on that subject, and agreed on a two year phase-out of price controls.

Smith: And they reached an agreement and obviously nobody got everything they wanted. And then the story is a week later the Democratic leaders came back and said, in effect, we can't sell it to our members.

Zarb: That's exactly right. They said "we can't deliver". It was the freshman class in the House that was the problem; it gets back to the dynamic of politicians wanting to get reelected. Imagine that. Isn't that shocking? They knew that if they voted for legislation which was going to increase the price of fuel, it would be bad politics. Never mind what was best for the country.

Smith: But that's fascinating because it tells you, not only was the presidency, in effect, weakened by Watergate, but the "leadership positions" of the parties on the Hill were also undermined, at least to some degree, by this influx of Watergate produced congressmen.

Zarb: Yes. That is really true. It was the beginning of the end of a time when members of Congress could disagree but ultimately come together to do what the country needed.

Smith: Describe, package, for a 21st century audience, what the Ford plan for energy was.

Zarb: It started with the notion that we have a growing supply of oil coming from an unfriendly part of the world.

Smith: And unstable.

Zarb: Yes, Unstable. And the analysis that we had of the potential for mischief in the Straits of Hormuz, which are narrow shipping lanes that could be blocked and cut off 30% of the U.S. oil supply. The economic turmoil would be substantial. President Ford's objective was to reduce the amount of imports by a significant amount over the short term and continue to reduce it until we could get it back to a safe level. The only two ways to bring down imports are to use less and produce more domestically. In the 1970's we would have had to increase the nuclear power fleet considerably to do so. In his 1975 *State of the Union* message; Ford called for opening protected areas in the continental shelf to drill. His proposal to raise prices would have reduced consumption and supported new production.

Smith: For environmental reasons?

Zarb: Yes. He wanted to expand coal consumption at the same time forcing scrubber technology. He wasn't insensitive to the notion that the environment had to be protected. But we were a country that was very vulnerable to serious, serious disruption. He supported research and development. He put lots of money into that, recognizing that new forms of energy were many years away. Even today "alternative" fuels represent probably 3-4% of the total consumption in the United States. Solar is coming along but it's going to take a long, long time. Wind has promise, but relies on subsidies. His [Ford] vision was to remove price controls and experience the real price of oil in the marketplace, which would result in new investment, not only in conventional energy but alternate forms as well. Ford's proposal mandated appliance labeling; requiring manufacturers of appliances to have energy efficiency on labels. Miles per gallon efficiency for automobiles were mandated.

Smith: That was the first wasn't it?

Zarb: Yes. Detroit was not happy about that.

Smith: What kind of pressure could they bring?

Zarb: They caused their congressmen to oppose us. It was amazing to me. I sat in the Oval Office with the President and the heads of the three major car companies. He told them that we needed to get prices up and it would require a new kind of automobile efficiency. They were very polite, but essentially they concluded...this guy doesn't know what he is talking about. Whatever we build the American people will buy. Of course the Japanese proceeded to eat their lunch. The President had a holistic view of what needed to be done. He also knew we weren't going to get a lot of it before his election, but he set the stage for the rest to come after.

Smith: Did you ever notice or did he ever say anything that suggested an awareness, at least, of the irony that this man who had spent 25 years on Capitol Hill, who really by his own boast was a man of the House, should really wind up spending his presidency warding off a lot of the challenges both in domestic and foreign policy that came from the Congress. Was that inevitable given the weakened state of the presidency, post Nixon?

Zarb: Watergate was part of it and the Democrats smelled blood. On the other hand he had an asset in dealing with the congress, which few presidents had, his former colleagues on the Hill trusted him.

Here is an example. In early 1975 Henry Kissinger told the President that the Shah of Iran wanted to sell us oil at a discount to the OPEC price. Ford asked me to follow up. I went to Tehran to start a long negotiation with the Iranian Finance Minister.

The negotiations went on for months in secret and I became concerned that there could be a leak and the Congress would not be happy. I discussed with the President who told me to go see my Senate Oversight Chairman Scoop Jackson and my House Oversight Chairman John Dingell (both Democrats), and tell them what we are doing. I never did learn if Ford called them before my meetings, but Jackson said "sounds like it is worth pursuing", and Dingell said "worth trying and if anyone in this House raises a question with you, tell

them to come see me”. At the time Dingell and Jackson were two of the most powerful members of the Congress. They trusted Ford.

Ultimately negotiations with the Shah failed because we could not agree on an acceptable price. That led to an interesting moment in the Oval Office. The President asked me to explain to Henry Kissinger why we could not close an oil deal with Iran. I explained all of the numbers in detail including the fact that when the United States government buys anything from another government, it is required by law to use American shipping. That made it impossible to achieve a saving unless the Shah would lower the Iranian price more than they were willing. Henry was clearly not happy and called me a “Nit-picking Talmudic Scholar”. There is a book written by Andrew Scott Cooper titled “The Oil Kings” where this incident is covered in detail. Although Henry and I are good friends, he was very, very unhappy with me.

Henry was not alone. Consumer groups, environmental groups, and some oil producers all wanted my scalp, but I always knew that the President had my back.

Smith: Do you have any observations about the Ford-Kissinger relationship?

Zarb: It starts with my amazement that Nixon, with all his insecurities, would pick people like Henry Kissinger and George Schultz. These are men who are independent and accustomed to speaking their minds. Kissinger and Ford had a good professional relationship, and Ford relied on and trusted his judgment. The President was also aware that Henry would have strategic interests which often were not obvious. In the case of Iranian oil, Henry’s real objective was to get more money in the hands of the Shah so the Iranians could buy more weapons from us.

Smith: What kind of conservative was he [Ford]?

Zarb: Generally fiscal conservative for sure. He inherited a big stagflation problem so he was somewhat limited in what he could do to reform government spending. He was a sensible moderate on most issues.

Smith: Do you think Mrs. Ford was a factor too?

Zarb: I am sure she was. Where he came from, the kind of people he had with him. They were Republicans, but no flaming right-wingers in that crowd. Everyone was slightly right of center on most issues but not all. And, of course we had Vice President Rockefeller, a real moderate.

Smith: Which is still, as you know I have been working on this book for years and years, and with the passage of time and the benefits of hindsight you can see how everyone with the best of intentions wound up doing something that they probably shouldn't have done. That if Ford had been more, in some ways secure, less concerned about reassuring, not so much domestic audiences, as foreign audiences, and he was also very conscious of Rockefeller's capacity to bring good people with him. That was part of the equation. There were lots of reasons that you could in a non-political way justify picking Rockefeller. Rockefeller at the same time wasn't totally honest with himself as to why he did it. He didn't want to do it, he hadn't wanted to be Vice President but at the same time he told someone who told him that he shouldn't do it, at length, but you don't understand this is my last shot. And when it all got down to the bedrock there was always that ambition there. But the other thing was...if people had just stepped back and thought, he was a Rockefeller, he had been governor of New York for fifteen years, he was the ueber-executive, that's not a profile for a successful Vice President.

Zarb: No. And he had visions of his own that were not always consistent with the White House staff. He and I had disagreements but I liked and respected him.

Smith: Tell me. Talk about how energy policy in effect was crafted in your office. Clearly he [Rockefeller] was crafting something else. What was the timing of that and what was it?

Zarb: He never fought us on the stuff we were doing. But, he genuinely believed that the best way to solve this problem was to throw a lot of money at alternative fuels. Now, obviously, it's hard to argue with the intent here, but he didn't take into consideration, as we had to do when making the

calculation, that we would be throwing money into new technologies and at the end of the day most of it would be wasted. The likelihood of producing energy that would amount to much over a ten year period would be very small. We needed to solve a big problem with reliable resources. The development of alternative energy was important but Nelson's approach would have failed. To help give us some protection over the short term we initiated the National Petroleum Reserve.

Smith: And this was a Ford administration initiative?

Zarb: Yes that was. It was part of our 1975 legislation.

Smith: Was there opposition to that?

Zarb: Not really. The oil companies liked it because it boosted the price of oil. Environmentalists didn't complain much about the salt domes because it went into the states that welcomed the activity. There was probably some rumbling but nothing that amounted to anything. The national security concern put more emphasis on what we could get done in the next ten years than over the next 30 years. It was as simple as that. Alternative energy could not be a primary objective. Jimmy Carter went in a different direction and created the Synthetic Fuels Corporation. It was scandal ridden from the beginning; hundreds of millions of dollars were never recovered, and it was shut down. What Nelson [Rockefeller] wanted to do was actually implemented by Carter and it failed.

Smith: Is it oversimplification, in a sense, government picking companies, I mean government trying to seed industries, or simply funding research? What was the idea of government's role, I mean how would the money be spent?

Zarb: Well as you know, Obama has had a taste of that.

Smith: Yes. I was going to say...

Zarb: Nelson's [Rockefeller] idea was to take X-hundreds of millions of dollars and dedicate them to solar power. And if I had a good solar power idea I could take it to the government, who would give me the money to implement it.

Now, there were two problems with that. One is solar power couldn't be forced by money alone, it needed time and technology. It made its greatest strides from the space experience. The same with wind, which has been used in some areas pretty successfully. It's still subsidized. The economics are getting better in some parts of the country where there is a lot of wind, so that it might eventually stand on its own but it's a fraction, less than 2% of the total energy base. So his vision was good if you took it to the next 50 years and had smart people making the investments. The problem here is that bureaucrats are the worst people in the world to make those kinds of decisions. They have a chart and they have to check the boxes, once the boxes are checked you get the money and if you go bankrupt...well that's the risk to begin with. That's not sound investment strategy.

Smith: Rockefeller came up with something like the Energy Independence Authority, and it envisioned 100 billion dollars and it was really going to be funded by the same moral obligation bonding that had begun to spring leaks back in New York. And, there was clearly a debate within the administration about all of this. How did that unfold and was this seen as competition to what you were doing?

Zarb: Well no. He wanted to add this on. Alan Greenspan and I thought that it was a bad way to throw money at the energy problem so we opposed it. One day we had to make a decision because there was a deadline on the Hill. Rockefeller and I met in his office. He gave me his last pitch and I said, "I have a lot of respect for you Mr. Vice President but I just can't support this". When I told him why he picked up the phone and called the President in his residence, who was sick in bed, and said, "I can't get through to Zarb, we have to come see you". So there was poor President Ford in bed, looking tired, and Nelson makes his pitch and I make mine. The President said... "Alright Nelson, I'll tell you what we'll do, we will send up a request for 50 million dollars", it was a bone...

Smith: Pilot program of sorts?

Zarb: Yes. Greenspan and I were opposed to that, as was White House Chief of Staff Don Rumsfeld. Rumsfeld had his connections to the Hill so that plan was dead before it even got near the Hill.

Smith: Bill Simon, in his memoir, and I actually remember hearing him tell the story before his death, remembered a cabinet meeting at which he, Simon, finally was sort of carried away by his passion on this subject and I think by his disdain for Rockefeller personally. And, he said, 'Mr. President...words to the effect of...don't let him do the country what he did to New York' and subsequently they had this discussion specifically in which Simon reiterated his vehement opposition and I think he got a call from the President who said 'Bill lay off Nelson' and the way the President explained it is 'you and I both know this is dead on arrival, once it goes to the Hill it's not going anywhere but let Nelson, in effect, have a bone.' Does that ring true?

Zarb: Yes. That's essentially what happened.

Smith: Then of course Rockefeller was upset because the administration didn't lobby for the idea.

Zarb: Actually if nothing else he was politically smart, so Nelson surely knew what was going on. So he sucked it up and went forward.

Smith: You have that the President quoted in the *Daily News* "New York Drop Dead" cost him the election.

Zarb: If we had lost New York City by a lesser amount we would have taken the State and won the election. That *Daily News* quote didn't come from President Ford.

Smith: Where did it come from?

Zarb: It came from the coalition led by Bill Simon.

Smith: I have been told Bill Simon, Alan Greenspan, in particular, well in fact Bill Seidman told me this story that there was this back and forth and they literally were rewriting the speech, the Press Club speech, and he sighed, would

rewrite it to get in either a very strident anti-New York tone or a much more moderate tone and Seidman thought the moderates had won out and he was wrong. The President went and gave the speech which lent itself to caricature, the famous *Daily News* headline. But subsequently, in effect, the President changed his mind. Or at least he changed his policy didn't he?

Zarb: Well subsequently, sure. He knew that ultimately we weren't going to let New York City go bankrupt. It's a mystery to me as to why those words were put into his mouth. He was smarter than that.

Smith: Really? Hugh Carey once said to me that Jerry Ford has never gotten the credit that he deserved. In effect it was the tough love policy that forced New York finally to get serious.

Zarb: The credit came after the election. John Dingell told me that he was mistaken to oppose the President on price decontrol. He's had all these years to reflect on that. And of course the Kennedy's gave him an award and said they were wrong and that pardoning Nixon was the right thing to do. Those are real events and they add up to who the man was.

Smith: Do you think there was a Truman-esque streak in Ford?

Zarb: There was some of that. Some of it was amusing. I told you the story of when I told him we were pissing off both the Republicans and Democrats and he said "we have it just right".

Smith: He had a sense of humor?

Zarb: Yes. One night Alan Greenspan and I were with him in the Oval Office. We were going to go on TV because he decided to put a tariff on imported crude oil to scare the Congress into doing something. He was going to go on TV to announce the Tariff; Alan and I were going to be there with him. He changed his shirt in the side office, next to the Oval Office. He went from regular cuffs to French cuffs and he had no cuff-links. So I looked at him and said...

Smith: You can't go out looking like that...?

Zarb: He looked at me and he placed two big paper clips on the cuffs. Then he said “let’s go, we have more important things to do”. I’ve seen gold cuff links in the form of paper clips so he may have started the trend. Yes, he had a sense of humor. He had a sense of caring and sensitivity. We entertained at dinner the Egyptian President, Sadat...

Smith: Yes it must have been.

Zarb: In any case, yes Sadat I think. I sat at the table with Henry Kissinger and some of their people, high officials, because energy was a hot subject in the Middle East. At the end of the evening the President said to me “I’d like you to wait a few minutes, I’d like to talk to you.” He walked the President [Sadat] out and as he came back in, my wife walked over. He put his arm around her and he said “Pat did you have a good time tonight?” She said, “Now that you have asked Mr. President, let me tell you. Every time we have one of these dinners he sits with Henry Kissinger and the other high officials and I sit in the other room with a Congressman who eats with his fingers.” I have the photo of Ford looking at me like ‘what did I start’. In any case, the very next dinner, sitting next to the President of the United States, was my wife.

Smith: Really...isn’t that wonderful! Did you ever see his temper?

Zarb: The one time I saw it flare was when we told Kissinger that we would not do the Iranian oil deal. Henry, you will recall, cared about money in the hands of the Shah to buy guns and tanks from us. I wasn’t smart enough to understand how important that was to Henry. I think the President did. When Henry argued the point further, I saw the President, a little flare when he said “Henry, I’ve told you and told you, no discount - no deal”. It was kind of an edge. That’s when Henry called me a nit-picking Talmudic scholar. According to the “Oil Kings” book; after that meeting Henry went back to the State Department and told Chuck Robinson, his deputy, “I’m a better economist than Zarb and Greenspan and there’s not a full brain between them”. So there were tense moments. The Schlesinger matter, I wasn’t there

but I'm told there was a stirring of anger. John Sawhill stirred some anger in him. I didn't see that personally but I was told about it.

Smith: Do you think Schlesinger was just chemistry, personal chemistry?

Zarb: Yes.

Smith: One senses that what some would take as an academic sort of stance on the part of Schlesinger could come off as condescending and Gerald Ford knew more than maybe Schlesinger credited him with knowing.

Zarb: Schlesinger was a very able guy, very talented, but he had a natural style which some considered arrogant and that annoyed the President.

Smith: And I would think would be particularly annoying to someone like Ford who could probably put up with a lot but arrogance is probably not...

Zarb: Yes, because he practiced none of it at all. And also you know I had a special sense of loyalty to this guy. When the energy bill was up for signing, passed by the Congress, there was a huge lobby for a veto. The Left didn't like what was in there, increased prices slightly and authorized some more domestic energy production. The Right didn't like the fact that we didn't get full price deregulation. And, the Secretary of Labor John Dunlop was trying to get Common Situs Picketing legislation signed. Both pieces of legislation had the same political dynamic; they were opposed by the extreme right and extreme left. The President talked to me and he said "I want you to recommend that I should sign the energy bill, but I am not going to comment, I want my options open for the next couple of weeks", which was smart. I did it and took some heat from the Republican right. Secretary of Labor John Dunlop said if Ford does not sign the Common Situs Picketing Act he would resign. The President vetoed Common Situs Picketing, signed the Energy Bill, and John quit. So there was a lot of drama but never any animosity.

Smith: I know it's totally outside your area but I am just trying to get a sense of the mood of those times when Saigon fell. What was it like around both the White House and official Washington?

Zarb: Beleaguered.

Smith: Yeah.

Zarb: Henry [Kissinger], Rummy [Rumsfeld], Cheney, they worked full time on the subject. Brett Scowcroft was trying to make sense out of what was going on. And then weeks later, except for the hostages, it became a relief. Strange feeling but you could feel it everywhere.

Smith: Plus remember there was also, there was a fight afterwards because Congress wanted to pull the plug on any kind of refugee resettlement and Ford thought that was outrageous, that we had a moral obligation and went to the country.

Zarb: We had a lot of people there who were friends of ours that were stuck there and that always troubled him.

The biggest burden he carried through his presidency and for years after was the criticism of his pardon of Nixon. He talked about it often. But when Ted Kennedy gave him an award and said that the pardon was the right thing to do, the burden was lifted.

Smith: Exactly. He said “You know for twenty years everywhere I go people ask the same questions, but once the Profiles In Courage award was presented to me”, he said, “they stopped asking”. It’s as if the Kennedy imprimatur had made it okay. But it’s a sense that he was haunted in some way by the pardon?

Zarb: No. He was sensitive enough to be uncomfortable with the fact that people held him responsible for an act they thought was inconsistent with American justice.

Smith: Yeah.

Zarb: That bothered him because he knew what he did was right, but he was troubled by views of a lot of people and also the lingering murmur that he did it as a deal ‘if you pardon me I’ll make you President’.

Smith: Right.

- Zarb: So that troubled him. The Kennedy Award washed that away. I always liked Ted Kennedy, he was a guy who kept his word, we made a number of deals and I could depend on him.
- Smith: But you know someone who takes a lot of heat but who played a vital role at a critical juncture was Bob Hartmann because it was Bob Hartmann who supplied all the suspicion of people's motives that Gerald Ford lacked.
- Zarb: Bob had bad/good days.
- Smith: Yeah. But Ford put up with it.
- Zarb: He adjusted to it. You may recall the botched draft of the 1975 State of the Union message. The President kept Rummy, Cheney, Greenspan and me there all night rewriting the message.
- Smith: Yeah, and remember that's the speech he famously began, the first and last President to have ever said this, to say "The state of the union is not good".
- Zarb: Well...that's a time honored principle among CEO's who take over a company that's in crisis. Make sure that all the bad news is made public fast because you've got to build from that foundation of truth.
- Smith: You know the criticism has been made, Rockefeller certainly made it but he was not alone, that the President was, in fact when I talked to Rumsfeld, I think if Rumsfeld would have had his druthers, they would have been quicker to move the Nixon people out and replace them with a distinctly Ford administration. Ford took a practical view that you have to run the government and that there were a lot of people...first of all there were a lot of people who shouldn't be tarred by their association with the Nixon administration; a lot of very talented people who were doing their job perfectly well and who shouldn't be punished because of their associations. It goes back to that quality you talked about earlier; Rumsfeld may be being more ruthless seeing the strategic value, the symbolic value of cleaning house.
- Zarb: That's a reasoned analysis. Not cleaning house was the right leadership decision. You need people who are best equipped to do what you want to get

done. The two biggest fighters in the Cabinet were Simon and Kissinger. They took every opportunity to poke each other in the eye. That wasn't done secretly. It was done up front and publicly, oftentimes with good humor.

Smith: Yeah. Was that just a function of their personalities?

Zarb: And ideology, and turf. Simon thought he should be also the Secretary of State, at least honorary, and Kissinger thought he ought to have some say-so about economic policy. It was always remarkable to me that Nixon brought such strong people into his government.

Smith: Yeah. I was going to ask you...how did that Cabinet function?

Zarb: First of all there was a minimum amount of interagency quarreling. Disagreements were handled openly and honestly.

When I was at OMB before I was appointed to the Energy job, Jim Fletcher, who was running NASA, had this big expenditure to build a thing called the Shuttle. I remember having a meeting with Jim saying you know you are building a truck but you're not telling us what you are going to put in it. Where are you going to go with it? He said, "Well yeah". So I said, "No money this time, come back with a plan". Jim appealed to the President. He brought a sleek model of the Shuttle and before we started he said, "Mr. President I want to show you something, his aid uncovers an easel and under is a photo taken from space of President Ford's Grand Rapids home. I thought to myself "Ah Shit!" It was over before it begins.

Smith: Pretty good!

Zarb: The President looked at him and said "I'll tell you what we are going to do. We are going to give him his money". "Jim I want you to have a full comprehensive plan to Zarb before year end". He did. In retrospect it was the right answer. That's the way the Cabinet functioned.

Smith: Yeah. That's interesting.

Zarb: You can see how he governed. Nobody left that room feeling he was unfair.

Smith: Yeah, and of course he's famously the last president who could brief on his own budget, he could get up and basically present the federal budget.

Zarb: Yes. Here is an example of how he used his people:

In early 1976 Pan Am Airlines was in financial trouble. The Shah of Iran indicated an interest in buying it. The President called an ad hoc meeting in the Cabinet Room; present in the room were Simon Burns (Federal Reserve Chair), Greenspan, Siedman, Cheney, and me. Ford told us about the Shah's interest and explained that Pan Am had been the American Flag Ship for many years and raised the question of whether we should allow the sale. He then went around the room and asked each of us to give our views. It was a free-market crowd but the majority said the sale should not go forward. The President thanked us and he went off to make the decision. None of us were airline experts but he did not want airline advice and the sale was blocked.

Smith: You'd said he was a director of a couple of your companies. What kind of director was he? Because you know he took heat as a former President for "commercializing the office" and I think that was a combination of some of the directorships that he took and speaking fees and so on and so on. But, I would be interested in specifically the work he did. As a director, how involved was he and what he contributed?

Zarb: In 1993 I took over a company called A & A, a worldwide insurance and consulting company with 12,000 employees. It was in trouble and it had to be turned around and I asked him to come on the board. The previous board had done a terrible job. Some people told him [President Ford] that he didn't really want to go on the board of a troubled corporation. I was told he responded, "Frank asked me to go on, I am going on". He came and he was very attentive, very involved, very supportive, very thoughtful, and did his homework. We turned that company around and sold it. Everybody, including the shareholders were happy. Then I took over the NASD which is now FINRA, the largest self-regulator in the securities industry. It had gotten into a scandal and the SEC had effectively put it on probation, with a monitor in the place and deferred a prosecution agreement. The Chairman of the SEC,

Arthur Levitt asked me if I would take it over. NASD also owned NASDAQ. I asked the President once again to join the board. And again, although it was a very troubled company, he never gave it a second thought. We turned it around.

Smith: Really. What could he bring to those meetings?

Zarb: Intelligence, very good judgment, and absolute integrity. What we needed were people who have a lot of wisdom and experience, and could help make hard decisions. He never stopped asking questions, and helped me think through some very difficult issues.

Smith: Really?

Zarb: He also had a sense of loyalty, which I will never forget.

Smith: One overarching question about his presidency, because one way of looking at it, is as a man who obviously arrived, essentially never sought it, steeped in the ways of the legislature, who had to learn in effect to be an executive and a unique kind of executive, all the political and related demands that portend to the modern presidency. It is said that he particularly rued the outcome in 1976 because he felt he had just in effect mastered the job and then lost it.

Zarb: He had a plan. He had a plan for his four-year term in office.

Smith: What do you think he would have done if he had been re-elected?

Zarb: I know he would have achieved comprehensive energy legislation, finished the job he had started.

Smith: Yeah.

Zarb: He certainly had a keen interest in foreign policy and things to do he thought were unfinished, so it would have been a big part of his future. The economy was still not back in shape. Most of his Cabinet would have stayed with him. He would not have had the normal turnover in Cabinet and staff.

Smith: Did you see an evolution in the man during his presidency?

Zarb: I didn't know him prior to his being Vice-President so I can't make that judgment.

Smith: Well, this larger question about...Do you agree with him that his presidency was all about mastering the job, this executive position for which he had never really prepared?

Zarb: He had a natural ability to lead and wisdom developed in the political world that gave him an almost automatic capability to switch from congressman to President. When you think of it, he was far better equipped to be president than most.

Smith: Yeah. With the one exception of the presentational aspects, you know particularly television. And one thing, remember, you can't quantify, but it was in the Ford Presidency that something called Saturday Night Live went on the air for the first time and there is a post-Watergate, there's a whole different way of looking at the President.

Zarb: Yes, you could say the same about Harry Truman.

Smith: Yes. Yes because it wasn't on every Saturday night. As it is he had a 23% approval rating at one point, but you are right he didn't face the same saturation exposure. He didn't come into our homes 24/7 the way that a modern president does.

Zarb: Yes, I think that's probably right. But, in the end it was the pardon and a hyper rightwing which defeated him.

Smith: You saw a lot of him after he left office?

Zarb: Yes. We became very good friends. In addition to the two Boards I mentioned earlier we were both on two other company boards. He asked the members of his former Cabinet to join the Gerald R. Ford Foundation Board. That group continues to stay close.

Smith: Do you remember where you were election night 1976?

Zarb: Election night 1976 I was home in McLean, Virginia with my family.

Smith: By that point did you think he was going to pull it out because obviously the campaign was all about catching up.

Zarb: He was getting there. In my heart of hearts, I thought it was a long shot.

Smith: Yeah.

Zarb: There was just too much going on in a short period of time.

Smith: Was the pardon still a factor?

Zarb: It was a factor but I think “New York City Drop Dead” was the biggest negative.

Smith: Well...the Reagan challenge...you know you can argue it both ways because the arguments made that one thing we know about modern incumbent presidents if they have a serious primary challenge it fatally weakens them for the Fall. On the other hand the arguments also been made that the Reagan challenge made Ford a better candidate.

Zarb: Maybe, but the Conservatives sat on their hands during the election which was a big problem. It was a particularly tense convention. Alan Greenspan and I went there together. We had no role to play except be there. The arch-conservatives were particularly angry. No way of measuring it, but switching teammates has a negative impact on how people see you and the sinister motives they ascribe to that switch.

Smith: Yeah. Why...this may be unanswerable. Why is Donald Rumsfeld, in the stories of the Ford Administration, such a polarizing figure? There are people who, fairly or not, just seem to trail after them, you know suspicions, you know conspiracies...

Zarb: The majority of Rummy's life was in politics. He enjoyed Washington intrigue. I think if there was a straight way to do it and an intrigue way to do it, Rummy would pick the intrigue. It was a game he loved. He was a good Chief of Staff.

Smith: Dorothy Downton, the President's personal secretary, told us that Rumsfeld tried to get her fired. Why?

Zarb: In those jobs... if you are gonna shoot; you better kill with the first bullet.

Smith: And it tells you a lot about Gerald Ford doesn't it? Well. We are almost out of time. What haven't you had a chance to say that you would like to say?

Zarb: Well. I think we've pretty much covered it.

Smith: I feel like we have covered a great deal of territory. What do you think in the 21st Century, if you were talking to Presidents or the general American public, what could people learn from Gerald Ford? What's important for people to know about Gerald Ford?

Zarb: First of all of his sense of leadership was based on real character, it was based on trust. To lead you have to make decisions which are the right thing to do, even if they are not in your personal best interests. If you can't do that you're not going to be a good leader. You might be politically re-elected but you are not ever going to be seen as a good leader. Jerry Ford made decisions that were not in his personal best interest but he knew they were best for the country. People are so numb to politics and politicians, that they roll their eyes when you mention his integrity.

President Ford taught me a lot. The most important lesson: The only time doing the right thing is exceptional, is when you do it even when you know it hurts you personally.

Smith: That's well put. Last thing, pure speculation, how important was Mrs. Ford?

Zarb: We loved her. She was a modern woman who showed the Ford decency, she spent the rest of her life helping others.

Smith: She obviously became a story of inspiration.

Zarb: Yes...and a role model.

Smith: You know...not long before he died he [President Ford] said, I think it was at a Betty Ford Center event, and I think he meant it, he said... "When the history books are written her contributions will be deemed larger than mine".

Zarb: That's true.

Smith: Thank you.