

The Association for Diplomatic Studies and Training  
Foreign Affairs Oral History Project

**JOHN J. GRADY**

*Interviewed by: Melbourne Spector  
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**INTERVIEW**

*Q: Mr. Grady has had a distinguished career. Starting as a FBI agent, Mr. Grady rose through the ranks and became at one time Deputy Assistant Secretary of the Air Force and then Deputy Director for Management of the U. S. Foreign Assistance Program. After that, Mr. Grady founded his own company, Grady Management, a very successful enterprise in the Washington, DC area. He is now Chairman of the Board. My name is Melbourne Spector, and I am the Director of the Marshall Plan Oral History Project. I have known Mr. Grady for many years, we having worked together in the Marshall Plan. Jack, I'll presume to address you informally, and I hope you'll do the same with me. Why don't we begin at the beginning, Jack, and tell us how you came to get associated with the Marshall Plan Foreign Assistance Program, what happened when, and any anecdotes would be much appreciated.*

GRADY: Okay, Mel. I'm not able at my age to put dates with events, so forgive me for that. After leaving the FBI, I went into business in Illinois, returning on a DC vacation 5 years later. Here, I met an old friend, Walt Yeagley, who had then headed a division of the Foreign Assistance Program. Walt asked me to work as the Consultant for three months. That temporary assignment lasted three years -- I don't know quite why -- in the

Foreign Assistance Program during which I was assigned as Special Assistant for Executive Recruitment, a task which was interesting, fruitful and somewhat unique. I made trips around the country interviewing prospective Mission Directors in their home environment. This provided additional dimensions in the evaluation: Meeting the candidate and his wife and family in their home towns; obtaining a general concept of the regard in which they were held there; and making judgments as to how, in my opinion, the wife and family were acceptable and would fit into a Foreign Service environment. As you well know, Mel, having served at high levels in the Foreign Service, the wife and family, and the attitude of that family abroad, is a significant factor in the success or failure of the American representative stationed there.

Incidentally, you asked about anecdotes. I am reminded of one as we talk. As the executive recruitment guy, I was directly responsible to Bill Riley, a retired three-star Marine General. General Riley, in some respects, was pretty tough. He brought to my attention rather forcefully one day that I had been a very strong advocate of a particular candidate to become Mission Director in Ecuador. Some of the key executives who participated in the decision did not fully share that high regard. Nevertheless, he was selected and had been in Ecuador about two months when the General brought to my attention that he was working out not at all well and that inasmuch as I'd been so anxious to hire him, he was assigning me the task to now go down and fire him. I tried to explain that this was the role of the operator, rather than my role, but he would have none of that. I then explained a genuine concern for a family event. My Pat was expecting a baby any day and I proposed to the General that I put this off a week or so for that reason, and he responded that many men were abroad when their wives had children and that was unacceptable. Our conversation ended with him saying "Get the heck out of here and do the job you've been assigned." I thought of saluting when I left. I went to Ecuador as quickly as I could in those days of prop planes. After completing the mission, I quickly returned to Washington, went into Riley's office, having been gone 56 hours, and he said, "Where the hell have you been?"

As you may recall, Mel, I left the Foreign Assistance Agency in 1955 and went into the Secretary's Office of the Air Force, leaving there in 1958 when appointed by President Eisenhower and confirmed by the Senate to be Deputy Director for Management in FOA (Foreign Operations Administration).

I will always remember fondly having joined an organization which was not only unique, but the guardian of a concept most unusual and inspiring. It seems we were the only nation that developed and implemented this concept which will impact world history for another 100 years. A giant step forward, it was, within the community of nations.

I will also remember not at all fondly the short length of my tenure as the top management guy. There was much I wished to do and not enough time.

*Q: Will you enumerate some of what you didn't have time to do?*

GRADY: Yes. For example, I would have developed a system of recordation of the tremendous number of hours being spent by key staff and others before Congressional committees and time spent in preparing for such visits. This information would then be used to perhaps obtain some Congressional relief for this extremely heavy burden. I know of no agency that spent proportionately as many hours before Congress as did the top officials of Foreign Assistance.

I would have sought to develop data on the dishonest treatment of the agency by one Otto Passman, Chairman of a House Appropriations Subcommittee, hoping such record and more firmness by FOA's key staff would help the agency in some cases to reduce staff. We were busy year round preparing key staff to answer trivial questions that were being focused on by Passman. It's not surprising to learn, long after leaving the agency, that this unprincipled man was convicted of a serious crime in Louisiana. While it would not have been easy to get any Congressional assistance in some neutralizing of Passman, it would have been certainly worthy of a good, hard try.

While I don't know precisely how, it seems to me that the management element of the agency which I headed could have worked more closely with Dr. Fitzgerald and Jim Grant, both outstanding men, in developing a more meaningful relationship with the Department of State.

Certainly, with respect to the administrative arm of State and our administrative organization, much could have been done if we had focused on the problem forcefully. Mel, I only met Loy Henderson, the Under Secretary for Administration in State, once briefly, and in Africa. I had, over a span of almost two years, one meeting with the Assistant Secretary for Administration in the State Department. Needless to say, there was no meaningful liaison and to establish that would have been a high priority item in my plans.

Within the Foreign Assistance Agency, the lines of authority between technical services and the regions was not clear. As a newcomer, one would easily be confused as to which element was the "line" and which the staff. That same "blurring" existed amongst the technical area, the regions and Jim Grant, the Deputy Director for Planning. Much organizational work was needed here.

The division of responsibilities between the regional bureaus of State and the Assistance program regions could not have been less clear. It was a damaging factor that would be difficult to even slowly correct without a determined Secretary and determined agency head insistent that correction be essential. The role of State and Foreign Assistance management working together would be to point up the problems and propose possible solutions.

An overhaul of our personnel operation would have been high on my priority list. Assignment and reassignment of agency staff was poor. The personnel operation, Mel, unlike when you were there, had weak leadership. An example of management's failure:

When first joining FOA, it was shocking to note that our one precious slot to send one executive annually to the National War College was being used to place a man there because no Regional Director wanted him.

I would have sought a better briefing program of top staff with dry runs in connection with Congressional testimony. This was a common and productive procedure in the Air Force and FOA, frankly was archaic in its approach to this problem.

There was a lack of proper harmony and sound use in the operational elements of the agency with the organization and planning arm of the organization I headed. In time, these differences, which perhaps were partly due to personality conflicts, could have been worked out and, in the interests of the agency, this badly needed to be worked out.

Our congressional Liaison and Public Information Division needed better leadership.

*Q: Do you have any other thoughts about your work in Foreign Assistance?*

GRADY: Yes. Mel, I've dwelled on the negatives. On the positive side, much should be said. The agency staff was hard working, hard hitting and amazingly dedicated. Rare, indeed, was the "nine to fiver" in Foreign Assistance. The key staff of the aid agencies (it had many different names): Ty Wood, Harold Stassen, Jim Riddleberger, Harry Labouisse, Len Saccio, Dennis Fitzgerald, Jim Grant, Jack Ohly, Jim Cooley, Skinny Holmgren and John Murphy were all highly competent, each outstanding in his special way.

Jack Ohly, incidentally, while I was there was working on a review and history of foreign assistance beginning with the Institute of Inter-American Affairs and, thereafter, Greek-Turkish Aid, Marshall Plan, ECA, FOA, and the beginnings of the Agency for International Development. He traced its strengths and weaknesses, stressed the long range value of assistance to the under and lesser developed countries, and stressed our need to recognize that foreign assistance's full benefit would emerge over many, many years. Jack should feel very good these days as the world seems to be changing in a manner I believe he may have, between the lines at least, prophesied.

Incidentally, Stassen was a cold, calculating man, but had a brilliant mind and photographic memory. One incident I will always remember -- Stassen was leaving FOA to be come Secretary for Peace in the White House. I was preparing to leave for the Air Force. He wanted a quick briefing on executive recruitment. I, of course, knew many details because it was my only task. Without taking a note, Stassen asked for the names of each of the 55 Mission Directors and their deputies, where there were vacancies, what candidates I listed as good potentials, the background of the specialty needed in those countries, what candidates were available for considerations for which vacant positions, how I ranked incumbents as to suitability and effectiveness, etc. Governor Stassen was quickly advised that the last question would more properly be addressed to the Area Administrator and Dr. Fitzgerald. His cold retort was, "If I want their opinions, I'll ask -- now I want yours."

Well, we went around the world together, Stassen rarely interrupting. He then called in his Secretary, Millie Coleman, required that I remain and listen should he miss something. I corrected the Governor twice during his preparation of the memorandum to President Eisenhower. The report was accurate, much more succinct than it had some from me, and the most remarkable example of memory and talent I have ever witnessed.

Dr. Dennis Fitzgerald worked for many years in the Marshall Plan and its successors. He provided capable leadership, was a strong, almost stubborn advocate of his views which were usually right. His annoyance with State, I think, first developed when some of its leaders used foreign aid as a political weapon. Fitz richly deserved the accolade of his associates, "Mr. Foreign Aid."

Jim Grant is a very intelligent human being. Amongst the key staff in the agency while I was there, Jim was the most flexible. He continually sought better relations with State because he recognized that over the years, increasing cooperativeness would be essential for progress. Another attribute of his was to have a friendly eyeball to eyeball discussion with anyone with whom a disagreement existed. He was likeable, fair minded, and a coworker I enjoyed knowing.

*Q: Jack, did you remain in the Foreign Assistance program after the election of President Kennedy?*

GRADY: Yes, as you are aware, staying under a new President is not the elective of an incumbent. Presidential appointees must resign, giving the President the option to terminate or keep him.

When President Kennedy was elected and either just before or after his Inauguration, I sent Bill Parks, my special assistant, to the "Rock" (classified location then as refuge for top government officials in the event of an attack on Washington) with a hand-picked group, Art Hughes from Organization and Planning, and capable men from Personnel and the Controller's office. Their assignment was to analyze Kennedy speeches and comments relating to all phases of foreign assistance and develop a plan within the President's framework.

I did not advise Mr. Labouisse, Dr. Fitzgerald, or Jim Grant of this action, believing it best that the management arm should produce an independent study for review by the agency head and key operational group.

The major conclusion reached was that foreign assistance, in its many forms, was spread out and, thus, not efficient. It was suggested in the study that the Development Loan Fund (Coffin), the Food for Peace Organization, IDA, FOA, and other organizations, be merged into a single entity. Senator Humphrey, in his Presidential candidate platform, had earlier proposed a Peace Corp and this concept was accepted by the new Administration. Our reorganization included that operation be placed in the new agency.

As it was rumored that Sargent Shriver would head the Peace Corps, it seemed that this new proposed organization might be one he would head.

*Q: Was the work at the "Rock" ever reduced to writing, Jack?*

GRADY: Yes, it was called the Blue Book and I'll give you my copy if I can find it.

*Q: I would like very much to see it.*

GRADY: As an aside, Mel, I was surprised that about eight years later, a University Professor, the writer of an inter-university case study program, advised that this plan was very close to being accepted by the White House. The same case study stated that the Blue Book was a "comprehensive, solid, concrete piece of work built upon specified assumptions underlying the Kennedy Administration's approach to foreign aid." However, as the case study also pointed out, the Blue Book was not circulated widely at all. Many people who should have seen it never even knew it existed. It was the only plan of many, many which were prepared that accurately reflected President Kennedy's enunciated approach.

Shortly after the Inauguration, the White House sent a man over to reorganize the agency, which was renamed the Agency for International Development. As time went on, my view was that this man was not qualified for the task assigned him.

His views about organization were, by my standards, second rate. He was stubborn, and seemed to want badly to develop a plan which was his alone. In fairness, he was asked to do too much in too little time.

I met this man twice, when introduced by Labouisse at a general meeting and when Labouisse instructed that several groups meet and give Gant written observations re the reorganization. Only, thanks to my many capable assistants, the management operation provided a written report which I wrote. You may wish to see a copy of it. For example, in it we comment on many oversights of the first memorandum of the Gant group, such as the omission of an Office of Congressional Affairs, or of an Inspector General. These are just two examples of many. Luckily, finally these were corrected.

While it is easy to criticize, the whole reorganization approach was a fiasco. What happened after my departure supports that view. Confining my observations only to the headquarters reorganization, these are some of the changes the Gant team brought about. Some of these changes, Mel, I thought then and still believe were not unwise, not foolish, but downright stupid.

Basically, the changes that were made were the replacement of three Presidential appointees with twelve. The number of personnel divisions in the agency was increased from one to five. And this same action was taken in the contracting function. This, in time,

was recognized as not workable and I am told that in about eight years, the organization was back to the approximate structure which existed before 1961.

The plan was poor in other respects. However, I use the organization example as the more obvious foolishness.

*Q: Who was the man sent by the White House? Was it George Gant?*

GRADY: Yes. By September 1, 1961, it was proposed that my position and the single Presidential appointee on the management side be split into three parts. Two of these positions were offered to me and I chose not to remain. Mr. Labouisse asked me to stay until after the Congressional hearings. I did, leaving in November 1961. I've often thought how nice it would have been, Mel, to have another year for reasons I have already stated. It just takes time to effect meaningful change. It was a fine organization. I liked working with the people in it, and I was proud to have served in it.

*Q: How long had you been on the job?*

GRADY: Less than, I guess, two years -- about a year and eleven months.

*Q: Two years?*

GRADY: Yes, and one year of that was defending the organization structure, fighting what was, in my opinion, the unworkable "Gant" plans.

*Q: Since this is part of the Foreign Affairs Oral History Program, what kind of relationships do you recall having had with the State Department? Did you have many with them?*

GRADY: My service in every way was too short to even understand the State/FOA relationship. There was friction and lack of cooperation at times. Part of this is quite likely due to the European Recovery Program being a separate agency which later became an entity within the Department of State. I suspect that this caused some foreign aid resistance toward State. Possibly also, the fact that Paul Hoffman and Averell Harriman obtained the services of outstanding Mission heads, who were better known than their Ambassador counterparts, with roles that briefly overshadowed the normal number one U. S. Ambassador role -- may have contributed to the lack of cooperation which did and, hopefully, no longer exists.

With respect to my association with State Department officials, I met Loy Henderson once and that was in Africa. I had one meeting with the Assistant Secretary for Administration in about a two-year period. I met with Secretary Dillon once prior to my appointment and several times thereafter. That doesn't represent much total contact.

*Q: This is an aside, but it is interesting that you and Dillon are the two major contributors to the Foreign Affairs Oral History Project.*

GRADY: Is that right?

*Q: Yes.*

GRADY: Well, it's nice to be in that company. It's great company. Mr. Dillon was a superior public servant and brilliant executive.

*Q: When you were in the Foreign Assistance Program, you traveled overseas?*

GRADY: Yes, I did.

*Q: Did you have an opportunity to see the people there and how they operated? I'd like your opinion of our own people overseas, how well they did, and then if you have any idea of the relationships they had with the Embassies, how that worked?*

GRADY: For whatever the reason, the field relationships, AID to State, seemed to be much more cordial and cooperative than in Washington. A sound country/team approach -- generally, but not always present -- was very much in our country's near and long-term interest. I spent quite a while in Africa while we were setting up about 20 Missions. Our operation was responsible for leasing housing, arranging housing, leasing office-type buildings, and arranging logistical support for our Assistance people. At that time, the State Department was setting up new Embassies. The two groups seemed to address the problems, priorities and needs as partners in a meaningful venture.

*Q: Jack, could we go back a minute to the time you were in charge of executive recruiting? I have some awareness of that position, although I was in Personnel. The persons that were in it before, I don't think, knew enough about what the requirements of the various positions were, but would you like to tell me about what you did in that regard?*

GRADY: Yes. I read up on -- after being directed to perform the executive recruitment function under General Bill Riley -- I read up on this activity and particularly some fine work prepared by the Brookings Institute. They'd written quite a bit about executive recruitment. After talking with some people and reading all that I could find on executive recruitment, I prepared a plan establishing a two-man operation with a secretary, with the plan that one person would be out traveling and meeting people in other environments, and the other would be in the office, the decision being made at the outset when a man's name came to our attention, to run checks to be sure this was the kind of guy we wanted to consider even before we took that first step. Riley, incidentally, cut the staff of 3 to 2.

*Q: This checking is being done even today throughout the government?*

GRADY: Yes, and it is a most important first step in the suitability process.



*Q: I'd like to tell you an anecdote and make it a part of the record because I think it's important in the significance of investigations. As you know, when Governor Stassen came in, I was Acting Director of Personnel. The Governor had the idea to bring in 30 or 40 very high-ranking chairmen of the board, chief executive officers of corporations, to go around the world and take a look-see at how well our missions were being run. These, let's say, presidents of large insurance companies, corporations. So I was told to put those people on at once. And I said, "Well, wait a minute. Sure. However, they should have a security check." And I was told, "Now wait a minute. These are very important people. There's no need for any of these people to be checked."*

*And I said, "Well, that's okay, but I think not only is it required by law, but it's a good idea."*

*But the Governor had an option of signing a waiver, and his assistant said, "Of course, he'll sign a waiver."*

*So he signed a waiver for all of these, and they all happened to be men, all gentlemen, and they came to town. They all came in one night to be briefed and to meet the Governor the next day. That evening I got a call from someone from the Security Division. I think it was Charlie Keating . . .*

GRADY: Oh, I remember Charlie very well.

*Q: . . . saying that one of the men was now down in the District jail. He had been picked up in LaFayette Park men's room propositioning an undercover male cop. After that, the Governor never, ever signed a waiver as far as I know. Now that's a kind of crass example, but this whole business of investigation, looking into people's backgrounds, is so important, and even to this day it's not as thoroughly done as it should be.*

GRADY: I agree it should be done thoroughly, and the investigator should be permitted the time needed to do it well.

*Q: Now that we've discussed the first step, Jack, describe the rest of the executive recruitment process.*

GRADY: Okay. My assignment was to be sure we considered the experience and background of a candidate. Economics, agriculture, etc., with the particular needs in the target country. My assignment was to seek Directors and Deputy Directors and so often the selection of the person needed would complement the other key man, or fill an obvious weakness. Once a good candidate was identified, then, as I mentioned before, the field visit was the next step. If the man looked good to me, then he came to Washington and usually had interviews with Governor Stassen, Dr. Fitzgerald, the Regional Director.

*Q: Jack, I'd like to ask you about one of the operations under you which I know now has been eliminated in the present AID organization and was never really much of one in the*

*Department of State. I think you called it Organization Planning. I'd like your appraisal of the importance of that particular organization.*

GRADY: It's difficult to conceive of AID or any agency sans an Organization and Planning arm. Every organization should have an element with no operational responsibility and a mission to look ahead. My firm, founded 25 years ago, would long since have been bankrupt without the operation of that function on a continuing basis. Establishing and continuously monitoring lines of communication, forcing focus on problems and weaknesses, maintaining proper personnel levels through the manning document approach -- all of these functions and many more are essential to an organization's effectiveness. It is somewhat ironic, I think, that AID would have eliminated the division which was my right arm and staff with superior employees like Bob Biren, Bill Parks, Art Hughes, Phyllis Drohat, and others.

*Q: What about preparation and control of agency manuals.*

GRADY: Forgot that, Mel, and it is a very basic and important function.

*Q: I think you'll find, just to bring this up to date, that in the government generally today, in the executive branch, what we call the management function, organization and planning, has taken a downward turn, not just in AID but other places. The Office of Management and Budget, the wags around Washington say that there's budget there, but no management.*

GRADY: A most unfortunate development. If there was a particular architect of that change, he should be placed on a diet of bread and water for a year!

*Q: Jack, do you have any last thoughts?*

GRADY: Yes. Presidential appointees learn the ground rules when selected. If asked to leave, the departure should be gracious. A President has a right and generally a need to select his own. My observations are being made, please note, 27 years after the fact and address the errors which come from this reorganization. It has nothing to do with the absolute.

*Q: Thank you for your time, Jack, and support of our Oral History Program.*

GRADY: Thanks for permitting me to have a minor role in your worthy program, Mel.

*End of interview*