

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

KENNETH A. GUENTHER

Interviewed by: Charles Stuart Kennedy

Initial interview date: July 10, 2000

Copyright 2018 ADST

TABLE OF CONTENTS

Background

Born in Rochester, New York

University of Rochester; Johns Hopkins

(SAIS and Rangoon Hopkins Center); Yale University

German environment

Rangoon, Burma

1958-1959

Rangoon - Hopkins Center for Southeast Asian Studies

1957-1958

Teacher - Rangoon University

Military

Cultural divisions

Environment

Nathan Group

Yale University - Student

1959-1960

Washington Psychoanalytic Institute (Washington, DC)

1960

Department of Commerce

1960-1963

Philippines

Entered Foreign Service

1965

Santiago, Chile - Political Officer/Assistant Labor Attaché

1966-1968

Environment

Allende

Copper

USAID

CIA

Democracy

U.S. programs

Military

Nixon visit

Ambassador Korry Security Che Guevara	
State Department - UN Affairs	1968-1969
U.S. Senate - Office of Senator Javits Middle East Economic Affairs OPIC Javits-Vanik Amendment Soviet Jews Japan Free Trade Vietnam War powers bill Anti-war demonstrations Israel policy Marian Javits China	1969-1973
InterAmerican Development Bank - Alternate Executive Director Latin and Central America - loans Chile	1973-1974
Office of Special Trade Representative Trade Act of 1974 Bill Seidman	1974-1975
Federal Reserve System - Assistant to Board of Governors Humphrey-Hawkins Bill Community Reinvestment Act GAO audit Bert Lance Arthur Burns G. William Miller Volcker	1975-1979
Resignation	1979

INTERVIEW

Q: Today is July 10, 2000. This is an interview with Kenneth A. Guenther. This is being done on behalf of the Association for Diplomatic Studies, and I am Charles Stuart

Kennedy. Let's start at the beginning. Could you tell me when and where you were born and something about your background?

GUENTHER: Born in Rochester, New York, December 1st, 1935. Second son, older brother four years older, younger sister. My parents were both German immigrants. My father came over in the early 1920s. He came over alone. He was politically active in Germany, but I think it was more economic circumstances.

Q: Germany had gone through terrible inflation and all.

GUENTHER: My mother came over with her mother and two sisters three years after the end of World War I. My grandfather fought for the Germans in World War I. After the war, he came to this country from Hamburg, settled up in Utica, New York, and after working here for three years, he brought his wife and his three daughters. My mother and father met in Rochester in the early '30s and married.

Q: Your grandfather on your mother's side was from Hamburg, is that right?

GUENTHER: That's correct.

Q: Where was your father's family from?

GUENTHER: My father's family was from Jena, which is a university town. At the end of the war, Jena became part of East Germany. And I think this was a factor in terms of my diplomatic career in a way. I have never met the relatives on my father's side in East Germany. It's politically very, very sensitive and I think the Foreign Service in its wisdom kept me away from Europe.

Q: Well now, your mother, what was her education?

GUENTHER: We came from a very modest family. I remember that times were really quite tight. German was the first language that my brother and I spoke in the home. When the Second World War broke out, it was no longer acceptable in any way, shape, form or manner to speak German. My father was working in a sensitive industry. Came from Karl Zeiss in Jena to Bausch and Lomb optical company in Rochester. Bausch and Lomb optical company employed a lot of German immigrants and was in a very sensitive business of making the map readers, range finders, bomb sights and things like that.

What I remember of the earlier period was that my father was working very, very hard. This was a major war effort and he was working six days a week. To help make ends meet, my mother did some housework. And we had a very strong immigrant culture and a very strong value system emphasizing education. It was a goal of my father and my mother to get all the kids through college. They achieved this goal.

Q: They had not gone to college.

GUENTHER: They had not gone to college.

Q: In Rochester, you said there were a number of Germans there at one time. Was it still even during WWII – I mean, you would have been a kid. Was there still a German culture there or not?

GUENTHER: I think there was a very strong ethnic culture in Rochester. Vance Packard's study, *The Status Seekers*, used Rochester as a model. Rochester at that time had Kodak, a very successful, predominant industry and then starting about 1954, Xerox came up.

There were strong ethnic groups. There was a German house, there was a Ukrainian house, there was a Polish house. You went to the Polish house to dance the polka and to the Ukrainian house to meet the prettiest girls. We were living in downtown Rochester. My father could walk to work, and could walk home for lunch. One of the few times we did see him. We lived behind a synagogue. When the war broke out it got very, very rough. We were a minority group in this neighborhood. We were renting part of a duplex home from a Jewish family. The minority groups were the Germans and the Italians, and the predominant group was the Jewish group. It eventually got so rough that we, in a way, were forced to leave and go to the suburbs. There was a stone-throwing incident. But what does that have to do with diplomacy?

Q: Well, we're trying to capture social history in the United States.

GUENTHER: Okay, there was a stone-throwing incident with the Jewish kids. I got hit in the head with a rock, knocked unconscious, woke up on the dining room table, bloody, with everybody -- including the synagogue's rabbi -- around me, and after that it was decided that it was time to leave the inner city Rochester and move out to the suburbs. I also remember that my father left Germany as a mature man, leaving his country, leaving everything behind at a very difficult period, to start in a new country with a different language. There was always a map over my bed. My father would sit on the bed with me and we would fantasize where he would have liked to have gone. And I think that that fantasy, that wish fulfillment of my father, helped moved me toward a foreign relations career, added to the fact that I'm an immigrant son.

Q: This is true of so many of our generation who came into the Foreign Service. Their parents did not go to college. They educated themselves, probably more than some who got more formal education later on. So, you were only 10 when the war was over.

GUENTHER: Correct.

Q: Was the war something people talked about at home at all?

GUENTHER: Bausch and Lomb optical company, my father's shop in particular, was doing very, very sensitive work, highly classified work – I mean, the first model of a bomb sight, the first model of a map reader. Again, there was sensitivity in terms of, was

this a German cabal, were they really totally loyal to the United States. So you had that overlay to a degree.

I think the war was very significant in terms of growing up. I related to you the incident that occurred in the neighborhood where we were living. When we moved in the new neighborhood, I can remember that we were playing war games. It was a typical suburban neighborhood. In the corner lot we'd build our trenches, and play war games. On one side were the good guys, the Americans, and on the other side were the bad guys, the Nazis, the Japanese. There was also – I don't want to overstate this - there was a little bit of a rationing problem. You had to be sensitive to that fact that getting gasoline was very, very difficult. Getting good meat was very, very difficult. It was useful to know a butcher, it was useful to know the farmers, so there was the overlay of the war and I think that was intensified by the fact that my parents were German-born.

Q: Where did you go to school? In terms of grammar/elementary school first.

GUENTHER: An elementary school in inner-city Rochester. As part of the war effort we would collect tin cans and newspapers diligently. We moved to a suburb of Rochester called Ironduoit. There I went to Durand Eastman Elementary School. After Durand Eastman 8-year elementary school, Ironduoit High School. Very much in my mind now because in 1949 we started high school. Today there is a big flurry of activity in terms of our upcoming 50-year anniversary. There's now an active movement going forward in terms of exchanging letters, meetings. We even have two teachers from Ironduoit High who are still alive and kicking. I was a very good student, very strong in chemistry and physics, top of the class in chemistry and physics. Went to the University of Rochester in 1953.

Q: When you were in high school, what about your reading? Do you recall what you were interested in?

GUENTHER: I read an awful lot. One of the high school teachers who is still alive was my English teacher and he really whipped us into shape. I remember writing a fairly extensive paper in my sophomore year on the WWI Gallipoli campaign. Other than that, I spent an awful lot of time on geometry, chemistry and physics. I was stronger in chemistry and physics and math than I was English. I always had a little inferiority complex about my English, that my English was never up to it.

Q: Is that because you picked up a German structure from home?

GUENTHER: Yes, I had picked up a German structure from home. I was a little sensitive. If you're growing up as a German immigrant's son during the Second World War, you are sensitized.

Q: My mother was born in 1896 and she _____. Were you pointed towards anything? You went to University of Rochester from when to when?

GUENTHER: I graduated from the Ironduoit High School in 1953. Our financial circumstances were tight. My brother, who was very gifted in math and science, couldn't

afford to attend MIT. I started in pre-med, building on my math and science background, but then I encountered a series of excellent teachers who got me interested in Asia and particularly Southeast Asia.

Q: What grabbed you about moving into international affairs?

GUENTHER: It was the cultural differences when I was growing up. The cultural differences included religious differences, meaning I had that experience with Jewish hostility as a very young boy. Then on Sunday mornings when other kids were going to church, we were out playing soccer. Again, you reach the age of reason you notice, your group – the German group – is playing soccer, and the other guys are going to church. I remember being in a religious ferment in my teens.

Q: There must have been a strong Catholic influence there, in Rochester.

GUENTHER: In the suburbs we went to the Durand Eastman elementary school. There was a Catholic school down the street. We got out at 3:15. They got out at 3:30. There was no socialization. There was crude banter between the groups and I remember, not that frequently, but now and then, an active conflict between the groups. The outskirts of Rochester is apple and pear country. We were waiting up in the apple and pear trees and the Catholics came by and we unloaded on them as they walked underneath. In the fall there were rotten tomato wars.

Q: Was there much dating of Catholic girls and Protestant kids or was it pretty restricted?

GUENTHER: It was very restricted. My social life was, pretty much through high school years, pretty well tied into the Congregationalist church, where I learned to square dance, and the German House. The German House had dances on Friday and Saturday but we did roam to the Polish House. I'm sure there were Catholics there. We did roam to the Ukrainian House.

Q: When you were in Rochester, how did your family feel about your moving away from pre-med and a prestigious occupation as a doctor towards a liberal arts type thing?

GUENTHER: Some additional thoughts about Rochester and Eastman Kodak, Xerox is not there yet. The most desirable jobs in Rochester if you had to earn money and pay your way through school were summer jobs in the factories. The most desirable summer job was in the Genesee brewery because you got something to drink while you were working. I didn't get in the Genesee Brewery but I worked two years for my father in a Bausch and Lomb optical company and then two years in Eastman Kodak in the summer. Very poignant memories. The jobs at Eastman Kodak were dirty, laboring jobs, and you essentially are replacing the people who went on vacation.

The laboring classes in Rochester were at that time the Irish, the Hungarians, the Italians. And you did shift work, which meant one week you'd work from 8 to 4, next week 4 to

12, the next week you work 12 to 8. Riding my bike four miles to Eastman Kodak at 11:30 at night wasn't fun. Paid extraordinarily well. The immigrant laboring class was doing the dirty, back-breaking work. They had one thing in terms of their overall status. They could say to themselves, we aren't doing the work traditionally done by African Americans. When Kodak was integrated there were nasty race riots.

Q: When was this?

GUENTHER: In the late '50s. The public safety director of Rochester was shot out of the sky in a helicopter and killed. Very nasty race riots. If you're in an immigrant culture, and then the workforce is integrated bringing in people they looked down upon to maintain their own self-esteem, a very difficult situation develops.

Q: Did you get involved in this?

GUENTHER: I was also still wrestling intellectually with my German background and with what the Nazis did to the Jews in Europe. My university studies were acquainting me with the different religions of Asia. I was planning to leave home for graduate school. I could never match my brother in math or science and I was moving into a very different area. My younger sister was also at the University of Rochester. We were all financially strapped. I became very involved in the non-Western civilization program at the University of Rochester and connected with a man who would have a profound impact and influence on my life.

Q: When you say non-Western, what are you talking about at Rochester, what particular areas?

GUENTHER: The non-Western civilization program was headed up by a distinguished professor, Vera Micheles Dean, who had just published a book. It was romantic and what Gandhi accomplished in India was inspirational. It fed what turned out to be illusions about what could be accomplished in Asia. And then I took a course in Southeast Asian history taught by Professor Harry J. Benda...

Benda was a brilliant, brilliant man, Czechoslovakian Jew. When the Germans moved into Czechoslovakia, he fled to Holland. When the Germans moved to Holland, he fled to Indonesia. He landed in Indonesia just in time to be interred by the Japanese in a prison camp. He was in a prison camp in Indonesia for four years. He came out of the prison camp somewhat bitter, somewhat stressed physically, but knowing Dutch, German, English, Japanese. He became a pioneering historian of Southeast Asia. He wrote the best book of the Japanese occupation of Indonesia, the Crescent and the Rising Sun. I began working with him. I think he became in a way a substitute father figure.

After the University of Rochester, I went to the School of International Studies at Johns Hopkins University for one year. After that one year, I was sent to The Rangoon-Hopkins Center for Southeast Asian Studies in Burma, and was following his footsteps. While he was into the Japanese occupation of Indonesia, I was into the Japanese

occupation of Burma.

Q: When you went to SAIS, was this on Benda's recommendation?

GUENTHER: There was another professor who I was very close to, Professor Warren Hunsberger, who was an expert on Japan. I think Hunsberger was more responsible for getting me into SAIS. Then after SAIS Dr. Benda was responsible for getting me into Yale. I was fascinated by the Japanese culture and wartime activities.

Q: Well then, '57 and '58 were at SAIS?

GUENTHER: I was at SAIS in '57 and '58, Rangoon-Hopkins Center for Southeast Asian Studies '58 and '59, Yale University Ph.D. candidate, in Southeast Asian Studies focusing on Burma and Indonesia, Japanese occupation of Southeast Asia, in '59-'60.

Q: When you were in Burma, you were there in '58 and '59...

GUENTHER: Correct.

Q: What was the situation then, and where were you in Burma, in Rangoon, Mandalay?

GUENTHER: We were in Rangoon. We were living in a Fulbright house and teaching at the University in Rangoon. We were teaching English, we were running the library, and I found out after the fact that we were being funded by Air Force intelligence. We were writing a lot of little reports on the Burmese colonels and what was happening in Burmese external relations. It was a very sensitive time in relation to China. President Eisenhower during that period of time when things got tough with China would threaten to unleash the Kuomintang troops in northern Burma into the soft underbelly of China, the Yunan Province. China was closed – I was always fascinated with China. We met the China watchers, who would look at China from Japan, then go to Hong Kong, then to Taiwan, and end up in Burma - a plethora of people doing academic work, looking at China from the outside.

Q: What was going on in Burma in this '58-'59 period?

GUENTHER: This was the height of the Cold War. Burma was a non-aligned socialist country which sought to cooperate with Nehru's India, Tito's Yugoslavia, and Sukarno's Indonesia. There was also a strong Israeli embassy and technical assistance mission in Burma - Israel being another socialist country.

Americans, Russians, Indians and Israelis got together every Monday night in a small chess-playing group - a very high level of chess. Playing chess was a perfect way to escape Burma and there was cross-nationality matches of tremendous excitement. The chess club, in a way, epitomized the influences being brought to bear in Burma shortly after the defeat of the French in Indochina. The big powers including the Chinese seeking to influence a small, poor country joined by the Indians and Israelis. Fascinating mix. We

spent a lot of time writing research papers - that I found out after the fact were going to Air Force intelligence - while attempting to teach Burmese university students the finer points of English.

Q: An awful lot of research was going on. They spent a lot of money on salaries and hoped something would come out of it.

GUENTHER: It was looking at leading personalities, looking at the colonels. And there was, even at that time, tension between the students and the military.

Q: What of the Burmese personality, were they a different breed of cat?

GUENTHER: Immense cultural difference. For me it was, maybe it's too strong a word, a disillusioning experience. I went over there with illusions in terms of what you could do and how you could do it and the impact you could have. The existing culture pretty much swallowed you up and spit you out. When you're in an American library reading about Burma, you create certain images in your mind. When you face the reality of Burma, minimal sanitation, no garbage collection system, the garbage collected by at that time a half-million dogs and crows. The difficulty with things working. It was a good experience in reality, bringing me down to a very hard reality. I was hospitalized three times with a kidney infection - kept alive by a superb Seventh-Day Adventist hospital - and being in a hospital with ordinary Burmese underscored our profound differences.

Q: Was there something within the Burmese culture that was rejecting outside influence? Today it's often portrayed as being, because of the 1962 coup and the various military governments who isolated Burma, a hermit kingdom.

GUENTHER: There was a very profound Buddhist belief. Signs - "be kind to animals by not eating them." There was enormous poverty, poverty that impacts on people. I can remember driving down the street at night in a jeep, and if you found someone laying in the road, you'd get out of the jeep and pull them to the side of the road and let them lie there and go forward.

The macro picture was interesting. As a young idealistic student, you're looking at this non-aligned movement. And what can a non-aligned movement do when you have the world of the superpowers. Was there something that could be put together? Israel was a major player in the non-aligned movement. In 1956 the Russians had just invaded Hungary and there was the Suez crisis. Being non-aligned annoyed the United States, but appeared to be a viable foreign policy option.

Burmese foreign policy was based on the premise of not becoming another Korea. That was hammered in again and again and again, we don't want to become another Korea. In a way they weren't that stupid. If you look at what happened to the rest of Southeast Asia, with the Chinese coming down and supporting the North Vietnamese and the Americans coming in supporting the south, Vietnam was ripped apart. Well, Burma's non-aligned foreign policy insured that they never were ripped apart. They didn't go anywhere

economically.

Q: At one point Indians were the shopkeepers. Did you find Indians had been pretty well expelled by this time?

GUENTHER: I didn't find that. There were tensions with the Indians. The Indians were still the very small merchant class in downtown Rangoon. But there was always tension with the Indians and tension with the Chinese. In 1949 Aung San was assassinated. At that time drugs was not a big issue, the Burmese who were into farming weren't into drugs at that time. Culturally, very difficult. As a young man in Asia you stick out very much like a sore thumb. There were great Indian movies, the Indian culture was very strong. The British Burmese civil service were those who couldn't make it in India. George Orwell's classic *Burmese Days* captures this.

Q: Did you have any contact with the American Embassy?

GUENTHER: Very little. I was working under a senior American professor, there were three of us. William Johnstone was the professor, who was writing a book on Burmese foreign policy. There was another SAIS student, so three of us. We did not go out of our way to seek out the embassy. The Nathan Group, Robert Nathan who's still around in Washington - I bump into him now and then - the Nathan Group was very influential then in terms of advising the Burmese government on economic policy and we tapped into them. We did meet socially with American diplomats at the swimming club.

Q: From your perspective, what was the Japanese occupation of Burma like?

GUENTHER: It was a very bloody and brutal minor theater of the Pacific war. The Japanese tried to use Burma as the base for their drive into India. The goal was to unite with Indian nationalists and turn India against the British. After being welcomed as a liberating army, the Japanese in Burma as elsewhere quickly became hated oppressors. British forces primarily defeated the Japanese in hand-to-hand jungle warfare. Wingate and Merrill's Marauders. There was U.S. troop participation and Burma was used as a staging ground for U.S. bombing raids into China. In 1958 there were still rusting Japanese tanks along the sides of the roads.

While in Burma, our academic work did not focus on the war - rather, Burmese foreign policy and the emerging role of the Burmese military.

Q: What was the reason SAIS had an outpost there?

GUENTHER: At that time, I didn't know. Six of us would get up in the morning at SAIS to go to early morning Indonesian classes. They had a center in Jakarta and a center in Rangoon. They closed the center down in Jakarta. I met with the president of the University of Rangoon in Washington. Maybe, in retrospect, looking back on it, they just got some money from the Air Force to open a small center.

Q: Was there a feeling of Southeast Asia being a fertile field to play around in? Or just opportunity? Later it obviously became _____ heat up a bit. Laos was the center of attention.

GUENTHER: Hopkins did a fine job academically in grounding me in the politics of the region. Vietnam was quiet at that time. We didn't have many outside sources of current information and didn't have much of a picture of what was happening in surrounding countries or the world. China watchers who stopped in Burma kept us abreast of development in China. It was only after leaving Burma that I came to appreciate the international ramifications of our Monday night chess club. We were also aware of Japanese business delegations who stayed at a hotel near the university where we often ate and played tennis.

Q: Did you interact with the Burmese?

GUENTHER: Yes, at the university. There were very few friendly students. One of the major problems at the university was they'd take a book out of the library and maybe return it with pages ripped out, so you had to constantly monitor them to make sure the library was not totally wrecked by students. Considerable cultural differences. Foreign Service Institute courses didn't prepare one for the realities. Terrible food, lousy sanitation, considerable health problems. Eye-opening experiences, particularly in the hospital.

In the university, the bathrooms were very primitive - a hole in the floor, with a water faucet that one turned on with one's left hand rather than toilet paper. You don't ever touch anyone in Southeast Asia with your left hand.

Q: You left there in '59?

GUENTHER: Left there in 1959.

Q: Whither then?

GUENTHER: I traveled through India, Pakistan, Lebanon, Israeli, Greece, Cyprus on the way home visiting friends - encouraging complexities. I had a choice of going back to Johns Hopkins University, the Baltimore campus, on a Ph.D. program, or Yale University on a Ph.D. program. My mentor Dr. Benda from the University of Rochester was at Yale, and I came to Yale.

Q: You were at Yale from '59 to '60.

GUENTHER: Correct.

Q: At that point did you think you were going to be a professor?

GUENTHER: No, there was the dream of the Foreign Service. I had taken the Foreign

Service exam in the late 1950s, passed the written and failed the orals, so that was in the back of my mind. And there was the idea of being a professor in the back of my mind. And there was the burnout from Burma in the front of my mind.

Q: In the Foreign Service exam, the oral exam that you didn't pass, do you recall any of the questions, how it was done, does that bring any memories?

GUENTHER: I remember the three-man panel. It was only men at this time, and they asked me a whole series of questions, it was a very lengthy ordeal. And I was very young, and they let me down very gently. Essentially saying this happens rather frequently that people don't pass the oral the first time around, and come back.

Q: At this point were you doing any checking on what the Foreign Service was about?

GUENTHER: I think I did that in the context of the non-Western Civilizations program at the University of Rochester. They had very, very excellent professors there, but I think more at the School of International Studies at Johns Hopkins University. Isaiah Frank, who's now in his 80s, was a very strong professor there in economics. Dr. Hunsberger was in and out of Hopkins at that time. I helped him doing the research on a book he was writing on Japan. My Burma experience hadn't turned me off. .

Q: At Yale, what were you taking?

GUENTHER: Then, behavioral political science, systematically compiling data to determine what were the outside forces on society. Southeast Asia studies and Indonesian which I had also taken at SAIS. It was a difficult period. I was having a fallout from Burma, adjusting back, trying to make up my mind what I wanted to do. And then my lead professor developed health problems.

Q: You were reading in the political science field?

GUENTHER: I was in political science and Southeast Asian studies. Correct.

Q: Can you characterize the political science field at Yale? Was it trying to build up a mathematical model or was it more descriptive, more sort of in the social studies?

GUENTHER: Yes, and I had problems with it. Yale was pioneering, trying to quantify political science. The name of the game was to move it away from descriptive social science. The name of the game was to quantify in a major way the outside forces that were infringing on various societies. I can remember – this was before the computer – we were using punched IBM cards to collect and then analyze data.

Q: This one has always bothered me, so much effort trying to quantify these things because in the field of foreign relations there doesn't seem to be any translation between the people who are having to deal with it as foreign policy and the academics who are building up these models.

GUENTHER: Yale had a very interesting approach. They also emphasized the psychological importance of what was happening in context of this quantification of social science, trying to make political science a real science.

Q: This is personal prejudice, but sometimes political scientists are trying so hard to make it scientific, so they can wear the white coats. With psychology, psychology based on the Freudian thing, I mean, that was Vienna - I was wondering how that would apply to Burma or somewhere else. There must have been other things going on with Indonesian, Burmese, or Japanese kids. It would be quite different from the Western psychology.

GUENTHER: Just an example – the Burmese wear a longee, they still wear a skirt. If you are a poor Burmese your skirt is made of very, very thin cotton, when you tie your skirt in the front you have a very little front knot. If you're a rich Burmese, your longee is of elaborate silk brocade, so you have a huge knot in front. Using a Freudian example, you can look at a Burmese immediately and see his Freudian status in life by the size of the knot on the front of his longee. Did the Burmese have a similar view of their dress? Most certainly not, but this is what cultural cross-fertilization comes up with.

Q: Equivalent to a codpiece, in a way.

GUENTHER: Yes.

Q: Fascinating.

You were there one year. What happened? Why one year and not the prerequisite three years?

GUENTHER: I had problems in adjusting to Yale, coming from Burma. My mentor had a serious mental breakdown, and his advice to me before he got well was, if you have problems in your own life, you should get some help. That became a priority. I left Yale and became a case study for the Washington Psychoanalytic Institute in Washington, and for the next three years the name of the game was to work through the problems that I had accumulated over the early part of my life. I think this was rather interesting in terms of then getting into the Foreign Service a little later on. I don't know how many people who were totally psychoanalyzed got into the Foreign Service. Not because of the rigidities of the Foreign Service at that time, but because of the rigidities of security. I had a major fight to get the security clearance. I was working at the Department of Commerce at that time and someone working for me was the daughter of a very influential official in the Kennedy Administration. Through her good works and her father's good works the security problem was overcome. But the issue did go up to the Secretary of State, Dean Rusk.

Q: I don't want to get too much into this, but how do you find the psychiatric approach? Things have changed so much over the years. Do you feel that they had an effective way of sorting out problems?

GUENTHER: Yes, I remain a believer. I think it does work. I think it works because it helps a person understand and work through problems that are much more deeply rooted than one would know if one hadn't gone through the process. Today a sufferer often has to choose between medication and analysis, with the strong slant toward medication. I can understand that. But I do think analysis is very useful. Analysis helps you get at very deep-seated emotional relationships. Relations with mother, father, siblings, immigrant culture, and the rest. I came out of the process very much a believer.

Q: While you were doing this for three years, you said you were working for Department of Commerce?

GUENTHER: Correct.

Q: What were you doing there? This would be '60 to '63.

GUENTHER: Starting in 1960, I took the management intern exam, and I was always very, very strong in those sort of tests, so I had various options. I took the management intern exam while I was in an interim job doing economic input-output analysis for the economic arm of the Department of Commerce. I was there about six months. Then I became the Korean desk officer for the Bureau of International Commerce, and subsequently worked on Japanese commercial and economic problems.

In the spring of 1961 I went in the military, got out of the military in October 1961, and became the Philippines desk officer for the Department of Commerce. I worked with the Philippine desk officer of the Department of State, Robert J. Ballantyne.. We talked about getting into the Foreign Service. I took the exam, passed it overwhelmingly, passed the orals with flying colors, and then security, security, security. There was a battle for I think two years.

Q: What happened?

GUENTHER: Justice prevailed.

Q: Let's talk a little about the Department of Commerce. There's never been a very good relationship as I see it between the Department of Commerce and the State Department. One of the problems, I suppose, is that the Department of Commerce is, correct me if it's not true, probably one of the most political of all of the departments in that it's a place where they put people. You get a lot of political types who are not the brightest bulbs on the Christmas tree from the political side. That's at least the State Department impression I got.

GUENTHER: I think that's fair. I think the Department of Commerce probably was a holding ground for young men and women who had other aspirations and other goals, and for whatever reason could not meet those other aspirations or goals and were there for a temporary period of time. But I found it to be a very stimulating place to work.

Luther Hodges, the former North Carolina governor, was secretary. Franklin Delano Roosevelt (Jr.) was the undersecretary. Highly regarded, highly respected names. Maybe better led than the State Department at that time.

I was working on the Philippines and FDR Jr., following in his father's footsteps, had a keen interest in the Philippines, and Luther Hodges coming from North Carolina had a keen interest in two Philippine matters, which were textiles on the one hand and tobacco on the other. As a matter of fact, I really think at that time that Luther Hodges was doing more in terms of running Philippine policy with FDR than the State Department. We had a constant stream of very high-level visitors through. Meeting after meeting in the secretary's office. It ended up being a very stimulating job.

Q: The Kennedy Administration - I guess you were just starting over at Commerce when the 1960 election ran. This great number of young people who were involved in universities and government were quite inspired by this whole thing. Did this get to you, too?

GUENTHER: Yes. The Department of Commerce was on 14th Street. It was the old era, where heads of state would fly into National Airport and be met by the president of the United States, Kennedy. And then they'd come up 14th Street, and so they'd let us out of the Department of Commerce and there we were out there on the street with the rest, waving. There were open cars. I particularly remember DeGaulle. There were a lot of heads of state coming through.

In December 1961, I met my wife-to-be, a Swiss national, at a SAIS alumni party. She was working at the Tunisian Embassy, whose ambassador was the son of the president of Tunisia, Habib Bourguiba. Ambassador Bourguiba had close ties with the Kennedy Administration and Harry Belefonte was tied into this embassy, so we had a very interesting social life. And I had a stimulating job, a fun job, at the Commerce Department.

Why was a Swiss national working at the Tunisian Embassy? The embassy had thrown out its French national support staff after the Bizerte crisis and sought French-speaking, non-French national replacements.

Q: What were you doing in the Army?

GUENTHER: Inconsequential things. I went to Fort Knox, in the spring, which is lovely. Basic military training, very interesting time before Vietnam. Berlin was the big issue. It was a very strange mix. We all had the potential of being drafted. In the Army you had people like me with a graduate education and in the same barracks people with barely a grade school education. You were all thrown in together. Made some very fine friends and also learned that education doesn't have that much to do with the value of a human being.

Q: No. Also learn that the military is run by the sergeants anyway.

GUENTHER: Run by the sergeants, yes.

Q: Which is I think a lesson all of us should remember.

GUENTHER: And again, basic training in Kentucky in the spring is not a hardship. It's invigorating. And then I went to clerk-typist school and ended up teaching in the last three months, teaching recruits basic English. People with a masters degree and people who have just completed grade school. Trying to keep them interested.

There was major foreign policy trauma. Berlin broke out, the Berlin crisis. Pure random chance, random lottery, some of my best friends were kept in for an additional year. I happened to not be in that number, and I was honorably discharged.

Q: Going back to the time in Commerce. You say you passed both the written and the oral. Do you remember the oral exam at all?

GUENTHER: I remember being very, very nervous, and I remember coming out of it, I came out of it feeling rather confident. There were three senior diplomats. I was in analysis at that time. I didn't think I had any chance in hell of getting into the Foreign Service. Everything worked out.

Q: Security, security, security, which went on for two years. What was the problem? Did they come out and say what they felt?

GUENTHER: I would just as soon not get into it.

Q: Okay, no, I don't want to push it. I'm just trying to pick up attitudinal things.

GUENTHER: I think they had major problems with someone who had been in psychoanalysis getting in the ground floor of the State Department. I think this was a major issue for them. There was the issue of, they wanted confidentiality of records, they were back and forth with my psychiatrist, in terms of security, wanted the medical records, this and that. I really do think if it weren't for the young woman in the Department of Commerce whose father was the head of OMB (Office of Management and Budget) – I think the name was Kermit Gordon – I would have never gotten in.

Q: He gave me a D-minus in economics in college.

GUENTHER: Oh, really?

Q: I deserved a D-minus, but I always remembered him. He was an instructor at Williams when I was there in 1948.

GUENTHER: Through his intervention, it opened that door. What security wanted to do, typical bureaucratic technique, was not to make any decisions. The decision had to be

forced, it was forced. I think Dr. Gordon went to a very high level at the State Department, and they told security you've got to make a decision. When security was forced a decision, they had no grounds not to make a favorable one. If they had their way at that time, they would have not made a decision.

Q: You came into the Foreign Service when?

GUENTHER: I came into the Foreign Service on June 24, 1965. I remember this vividly because I got a call last week from the only remaining member of my class still in the government to reminisce with after 35 years.

Q: I assume you went into an A-100 class, basic officer class. Can you characterize what people were in there? Did you find it a congenial group or how did you find it?

GUENTHER: I have achieved a major career goal. After a long, hard struggle, here I was. I had made it into the Foreign Service. I had vindicated my education. I had done something very pleasing for my father. My father was very happy about it. I was the old man of the class. I came into the government February 1st, 1960. I had been promoted to GS-12 at Department of Commerce. I came in as an FSO-7. Some very, very good people, very young people. We had a young daughter, my daughter was born in October 1964. So we had a young family. Very, very optimistic, very good time. Very, very good people. I keep up with some of them.

Q: Where did your wife - what was her background?

GUENTHER: My wife is Swiss. Came to visit the country in 1961. We met after I came out of the army. We were supposed to be married in 1963. In November, I was sent to the Philippines. That was a moment of truth. Security didn't want me to go to the Philippines. They were trying to block that trip. That's when the matter broke and I knew that once I got to the Philippines in November of 1963, that the security problem was pretty well resolved. I was in the Philippines when Kennedy was shot. I was in Manila. I remember going to the Embassy and signing a book, like thousands of others, that was open at the Embassy. Kennedy's assassination shut Manila down so the embassy suggested that I travel throughout the country with another young diplomat. We did this and I wrote a neat manuscript on the economic development of the Philippines which was published shortly after my return.

Q: This is the Department of Commerce.

GUENTHER: This is Department of Commerce.

Q: What was your impression of the Philippines, getting out there? You'd been to Burma - was this a different breed of cat?

GUENTHER: Yes, I came back feeling that the Philippines was a far less equitable society. I mean, Burma - a dirt-poor country but you didn't have the enormous differences of wealth. Philippines, enormous differences in wealth. The north harbor of Manila is particularly depressing. Enormous poverty, the flaunting of wealth. I felt at that

time that Philippine society was a far less balanced, healthy society than Burma. In retrospect, that's probably not the case but you had what my wife and I would privately call the "sugar pigs" – people with enormous, enormous money. And in the rest of the society, great social inequities and social inequality. I felt at the time it was much more ripe for a dissident movement than in Burma. They had just come off a dissident movement. The U.S. played a major role in the Philippines in the late '50s, early '60s in working with the Philippine government to put down a leftist insurrection. Perhaps some of the American personnel involved in this who later became involved in Vietnam didn't fully realize that Vietnam was very different.

Q: Was there any problem with your wife becoming an American citizen? I can't imagine a Swiss citizen raising any blips on the security radar.

GUENTHER: I was in the A-100 course, assigned to Chile. She went through a full field investigation. It was no problem at all.

Q: When you were in A-100 course, were you able to make any choice about where you would go?

GUENTHER: Not really. I remember it was an interesting course, I think a course that increased your cultural sensitivity. A time when we played a lot of baseball with the members of our class, built friendships with the members of our class. We still meet, not that frequently, but we still meet. I remember a form where you were to indicate what your preferences would be and I didn't know where Santiago, Chile, was when I was assigned. But I knew in very short order that I had gotten a very, very good post.

Q: You went to Santiago in...

GUENTHER: February 1966.

Q: '66, and you were there from when to when?

GUENTHER: I was there from February '66 to February 1968.

Q: What were you assigned to do there?

GUENTHER: I came in as a junior officer. The ambassador liked me, for whatever reason.

Q: Who was the ambassador?

GUENTHER: Ralph Dungan. One of the Kennedy mafia. When Kennedy was assassinated, Dungan was in the White House and was then moved to Chile. Young man, vigorous man, burned by the Bay of Pigs. Always told the political staff, when I became a member of the political staff, look, your job is to get me better intelligence than the CIA. I don't want to be dependent on the CIA. A very, very tough and challenging job for any FSO political officer.

Okay, started out as a typical junior officer. I started out in the commercial section, and then the minerals attache left and there was an opening there. Minerals attaché – interesting position, Chile is copper. Copper, the price of copper, played a major role, an important role in the Vietnam War. Keep the price of copper down, keep the price of the war down. The ambassador moved me into that position. I was there for 5-6 months. The Department insisted I didn't have the rank to fill that position so they got someone else in over the ambassador's objection.

I left there and became the assistant labor attaché, which was also very interesting because I could keep my hand in copper. I kept my hand in copper in a major way. Not only copper production, the companies, but copper labor strikes – production and keeping it flowing. There was also a very interesting program - Castro was in Cuba, and the United States was worried that Castro-like movements would spread through Latin America. Che Guevara was in Bolivia. There was a program where we organized a very successful peasant union. A fascinating former CIA program to build institutional structure in Chile. They had similar programs in Italy. The CIA chief was a former CIA operative in Italy, where they pioneered various concepts for building a democratic infrastructure. As assistant labor attaché, it was my assignment to build a peasant union in Chile.

Q: Go back just a touch. What were relations like from your perspective with Chile at this time?

GUENTHER: Absolutely fascinating country. Very beautiful country, very pretty country, small country, a country that was being viewed as a showcase for an alternative way. The U.S. government was very much behind the government of President Eduardo Frei. Frei was elected in 1964, very tough race. Allende at that time had received one-third of the votes, more or less. Allende was the perennial candidate of the left. The U.S. at that time had supported the candidate of the center, who was Eduardo Frei. So Frei was elected in '64, I came there in '66, and the U.S. was interested in making this a showcase for democracy. To prove that something can be done in a context different from what Castro was doing in Cuba. Che Guevara was very much on everybody's horizon in a major way. Exciting time, dynamic ambassador, ambassador who loved the Foreign Service, distrusted the CIA.

Q: He'd been burned by the CIA's Bay of Pigs operation?

GUENTHER: Big time, big time. And Chile had just opened the door to recognition of Red China, I think over the U.S. objections. So you had the Russians there, you had the Chinese there. At that time, the Chinese Embassy was more of a target for U.S. operation than the Russian embassy. But a country in flux, a country of reform, a country where the U.S. was trying to do something. Where you have a small country, a little bit of money goes a long way. So you also had the Belgians there, the Germans there, the West German bishops' fund, the Friedrich Ebert Stiftung, the Konrad Adenauer Stiftung. So you had various funding sources trying to influence and build the society.

Q: When you arrived there, particularly in the political section and also what you heard from others including the ambassador, how was Allende viewed by us and his party?

GUENTHER: Allende was a Socialist, the Socialists were more virulently left than the Communists. They had a major role, the left had a major role in the Congress. They were always harassing the Frei government, they were harassing the embassy, they were harassing the CIA and the IMF. We were negotiating copper – I was working with the ambassador to negotiate the change of ownership of the American copper companies to give the Chilean government a greater stake. Very interesting project. The Vietnam war was heating up. We knew that copper was on the front burner in terms of American foreign policy. Copper was 32 cents per pound. Anything that disrupted the supply of copper was not in the U.S. government's interests. Averell Harriman was the assistant secretary of state for the Far East at that time. Harriman came through a couple of times on matters that were very sensitive in terms of copper. We were tied in lock, stock and barrel with the Christian Democratic government and Eduardo Frei. One of the things that Ralph Dungan, the ambassador, said was that you will have no contact with the far right. Our game and our only game is with the center. We watched the left, we boycotted the right, and we played and did everything humanly possible to make sure that the center would survive and prevail in Chile.

When Dungan left, Ambassador Edwin Korry followed him and he immediately opened doors to the right. The embassy had a large building in downtown Santiago, right across from the Carrera Hotel. The political section of the embassy was on the ninth floor, CIA was on the eighth floor, a large forestry firm was on the fifth floor. This was headed up by Alessandri, candidate of the right. Dungan was moved out six months before I left in '68. Korry came in, and Korry for whatever reason immediately opened the door to the far right, and Alessandri would come up from the fifth floor to the ambassador's office, or the ambassador would go down to the forestry firm. So there was a major shift in policy when I was there, going from all-out support for the Christian Democrats and Eduardo Frei, to opening the door to the right. And everybody knew yes, that Allende was always there with significant political support.

Q: How did we view the copper industry, which copper was this?

GUENTHER: There were two major American firms, Kennecott and Anaconda, and then there were new investors coming in.

Q: How did we view the operations of the American international management? Were they sensitive to the situation, or were they just wanting to get the copper out?

GUENTHER: Ralph Dungan was committed, and Frei was committed to give the Chilean government greater control over the American copper companies. So that was a major goal of the ambassador. There were negotiations, the negotiations were successful, and my recollection is that the copper companies were dragged kicking and screaming in terms of changing their traditional, very paternalistic role.

Q: Let's talk about organizing unions in a country, I always thought this was full of political minefields, for us to get involved in something like this.

GUENTHER: Back to copper for one minute. I think what was interesting about copper was that to keep the price at 32 cents, to minimize the cost of the Vietnam War, whenever there was a move to raise the price, there was a high-level official coming in to sweeten the AID funding so that they would not raise the base copper price. Chile had a very large USAID (Agency for International Development) program. Chile also was opening a door to Communist China at that time. With the Russians also there, the embassy had a very, very large and active CIA contingent.

Q: Was there much contact between you in the political section and the CIA?

GUENTHER: Yes, yes, a lot. I was very close to the station chief; in fact, the station chief tried to recruit me. I ended up running a former CIA program, a beloved CIA program, which was the organization of the peasants' union. As labor attaché, our labor office also tracked the copper unions. Copper was one of the few organized sectors of Chile's economy. Very strong, very strong Communist-Socialist unions, and in a way we tried to subvert them. We tried to work with the union to get union leaders to AFL-CIO school. We went around and met with union leaders and watched what was happening with production, what was happening with strikes. The other major program, which was my program, was organizing the peasant union.

Q: What does it mean, a peasant union?

GUENTHER: You wouldn't touch something like that today, but the name of the game was we were trying to build democratic institutions in a very sensitive country. So the minister of labor, his name was Mr. Thayer, on the instructions of President Frei, signed an order moving the CIA program from the CIA to AID. And the program was then run out of the political section of the American embassy, out of the labor office. It was run through a front group. We were funding this program with AID money, there was a front group set up of two Americans. But it was above the board because the minister of labor signed the PIOP, the necessary paperwork form. It was a channeling of money to these two Americans who had set up this front group that then channeled the money to campesino labor leaders that were tied to the Christian Democratic Party.

Q: What was a peasant's union? Sounds like a cooperative more than anything else.

GUENTHER: It's a cooperative, but it gave them collective bargaining, it gave the Chilean campesino a feeling of having a stake in the economy, having a stake in the democratic processes. The goal was that if you have the Chilean peasants tied into institutions that work for their betterment, in which they have a voice, democratic voices, they will be less inclined to take the radical alternative. The radical alternative out there was the example of what Castro had done in Cuba. I think there was great concern at that time as part of the Cold War that what happened in Cuba could sweep through South America. So we were fighting in Vietnam, Castro was in Cuba and Guevara in Bolivia,

and you had concern throughout all South America that South America could conceivably blow up. So the name of the game was to work to build better democratic institutions.

Q: How effective do you think they were in the time you were there?

GUENTHER: Very stimulating program. When we left I think we had the largest campesino union in South America. I think there were some 40,000 people organized. A democratic union movement, a structure, and it worked.

Q: You must have been hated by right, and by the left, too.

GUENTHER: Yes, bitterly hated and resented by the Chilean right, without any question. The U.S. government was hated, the ambassador was hated. I mean the name of the game was to change the land ownership structure of Chile. That is a very, very sensitive matter.

Q: Do you find that you were frozen out of what is normally the diplomatic life of the well-to-do?

GUENTHER: No, no. Embassy life had a good social structure, a lot of parties. We were closely tied in to AID and also closely tied into the CIA social structure. So no, in no way, shape, form or manner. We had a neat ambassador and good young Turks, a very able group of people throughout the embassy structure.

Q: In political section, did you think about the Chilean military much? They had the reputation of being the most professional army in Latin America, in State.

GUENTHER: I didn't run into military that much. You did run into the carabineros, the national police. What was amusing about the carabineros was their goose stepping, so we were always looking at them as they were goose-stepping around like something out of a Nazi movie. We were close to Moneda, which was the presidential palace. That was three blocks from the embassy, and the carabineros were all around that. I was also working through my military six-year reserve requirement. So I worked closely two summers, both summers I was there, with the military attaché, someone called Colonel Weimert. At that time, there was a training exercise where naval ships would come down the coast of South America to train the Peruvian navy and the Chilean navy. That was very politically sensitive too, that U.S. Navy ships came down and train. That was probably the closest I got to the Chilean military.

Q: Did Pinochet ever come across your radar at all?

GUENTHER: Not at that time, no. We rented a house from one of the prominent Air Force generals, so we negotiated our lease. At that time you could go where you wanted to and negotiate your own lease and live in private housing.

Q: When you went there in '68, I take it this was a pretty good tour, wasn't it?

GUENTHER: Yes.

Q: Things were going in the right direction, felt we were plugged in to the right people and all...

GUENTHER: Yes, in spades. We were supporting the right people, the economy was making progress, democracy was making progress. It was the farthest from anybody's mind that there would be a violent swing to the left and a then violent swing to the right. Looking back, I don't think any diplomat in Chile at that time, from any country, would have predicted what happened. In future years, I bumped into some of the diplomats from Spain and France and Canada - they were all amazed at what happened in Chile. It was the last place in South America where anybody thought this could happen.

Q: Was the American influence being felt at all at that time? Was it brought by Chileans going to universities in the United States and coming back or not. What about the Chicago economists that came later on? Was Chile looking more towards Europe at that point?

GUENTHER: Chile was an isolated country. It had a fairly established wealthy upper class that was educated elsewhere, be it U.S. or Europe or England. Chile's historical background, Bernardo O'Higgins and names like that, people whose ancestors came from England, or whose ancestors came from Germany - there were a lot of Germans there, a lot of Basques, Spanish Basques - they kept up with their previous home country. They liked to travel to Europe. Not that much of an Italian influence like the Argentines but I didn't get the feeling there were a lot of young Chileans coming to the United States. That wasn't the group I was connected with.

Q: Why don't we stop at this point, and what I usually put at the end of a session is where we will start next time. We've reached 1968, and where did you go.

GUENTHER: In 1968 I came back to the department. I was assigned to go to Dusseldorf, and there was a RIF (reduction in force) in the Department of State. And my scheduled posting in Dusseldorf was canceled. Let me just add that I was the control officer in Chile during the visits of two significant Americans. I was control officer for half a day of Richard Nixon, who came through Chile in 1967. I was also control officer of Senator Jacob K. Javits. After the department, I had this god-awful job, absolutely god-awful job in OES, United Nations affairs. Terrible, terrible job. I really hit it off with Senator Javits. A friend of mine, surprisingly, whom I worked with at the Department of Commerce, had this job with Javits, and he got a deputy assistant secretary position in the ARA, the Latin American bureau. His position opened up again on Javits' staff and Javits called me and said would you be interested in coming to work with me. I have an opening on the joint economic committee, or an opening on my staff, which one do you want. And after much soul-searching, I decided to leave the Department of State and go with Senator Jacob J. Javits, and that made all the difference in the world.

Q: Great, then we'll start talking about Javits next time.

Before we move into the Javits time, let's talk a bit about Ambassador Korry and how you appraised him and his approach and his background.

Before we move from Chile, you went from Chile to where?

GUENTHER: I went from Chile to the Department working on U.N. affairs.

Q: You mentioned off-mike that you'd like to talk a little about Ambassador Korry and the time you served with him, what you observed about his method of operation and effectiveness.

GUENTHER: Thinking about what I said in the first tape, I recognized I had left out some of the most significant happenings while I was in Chile, for whatever reason. And I think the first significant happening that I will mention does relate in some way to Ambassador Korry.

Richard Nixon, former vice president of the United States, had made up his mind that he was going to run for president of the United States in 1968. He was out of office and to prepare himself to run for president of the United States, he toured some, if my memory serves me correctly, 37 countries in an unofficial capacity. He did come through Chile in 1967. And I was fortunate enough to have him given to me for two hours. I was his control officer for two hours. We took him to the RCA Victor plant; back then, RCA Victor made records, which are totally obsolete now. The plant was organized, American investment obviously, and the unions in the plant were Communist and Socialist unions. So here you had, it was a little ironic, here you had Nixon, the very strong anti-Communist, coming to Chile, and as part of his time in Chile, he visited an American plant and met with union leaders who were Communist and Socialist. He was very gracious. It was a very, very nice visit. He was not a particularly difficult man to [escort].

However, something happened during that visit in Chile or after. And again, I don't quite know what it was, but something went very, very sour. Because the U.S. policy in Chile throughout the 1960s, and I think three or four elections prior to the 1970 election, was to support the middle. Chile was divided into the left Communist and Socialist parties – the Socialists were farther left than the Communists; the center was the Christian Democrats, and then there was the far right. And the split was about one-third, one-third, one-third. And the U.S. had always intervened, and intervened with money, and intervened with press support, to support the centrist candidate. And when I was there, the centrist president was a very highly-regarded president named Eduardo Frei.

Nixon became president in 1969. The Chilean election was in 1970 – for whatever reason, Nixon and Kissinger decided not to support the center, not to support the Christian Democrat successor of President Frei. The successor of President Frei was the ambassador to the United States, Radomiro Tomic. Nixon and Kissinger decided not to

support Tomic, they decided to support the right. The right was headed up by someone called Alessandri. I think it was an enormous policy blunder. I read the bio files on Alessandri and they described a bit of a paranoid nut. Because of the change in the position of the U.S. government in not supporting the center, supporting the right, obviously they thought they could win with the right wing candidate. They miscalculated, and this opened the door for the left wing candidate to win and Salvador Allende became the president of Chile.

Q: And the rest is history.

GUENTHER: The rest is history. Okay, how does Ambassador Korry fit into that? Ambassador Korry came to Chile from Ethiopia. He replaced Ambassador Ralph Dungan who was a Kennedy ambassador, as I indicated in the earlier session. Dungan kept the embassy squarely supportive of the center, of the Frei government, and even prohibited embassy officers from contacting the far right. Korry came from Ethiopia, U.S. ambassador to Emperor Haile Selassie of Ethiopia. His reputation preceded him. He had a reputation of being an enormous egotist. I was leaving the embassy then, so I only had a six-month overlap with Ambassador Korry.

But what did happen while I was there – again, the embassy was on the seventh, eighth and ninth floors of a building, a corporation called Papeles y Cartones was on the fifth floor of the building. It was headed up by Alessandri, who became the candidate of the right. Korry opened the door to Alessandri. And Korry sometimes went down to the fifth floor to meet with Alessandri, and Alessandri came up to the ambassador's office to meet with Korry. And this was before Allende and the tragic subsequent events of Chile. It was a major policy shift. That policy shift was going on when I was leaving Chile in February of 1968. I didn't realize its significance until I learned that the U.S. supported Alessandri rather than Tomic in the 1970 elections – an enormous policy shift that was enormously traumatic for Chile.

Another thing I failed to mention, of significant importance I think, President Johnson had a conference of the presidents of the Americas in Uruguay in 1967. I think this reflected the emphasis, the importance, that Latin American policy had at that time. I was assigned to the conference as very low-level staff, an FSO-6. My job at the conference had nothing to do with policy. I was in charge of unclassified distribution delivering newspapers to the delegation heads. I think my great moment of glory as the head of unclassified distribution was that the president wanted a special salad dressing on his salad. And I was charged with bringing this salad dressing to the kitchen of a private home where the president was staying. There was a security problem, they were very, very nervous about security, and I was walking up the hill carrying this precious bowl of salad dressing and under every bush and tree there was a Marine with an automatic weapon. The lights were at an angle, so you couldn't see a thing. The postmaster general of the United States met me, and I successfully carried out this mission. The salad dressing was delivered intact, and I received of course an official commendation for this very dangerous duty.

But it was very interesting. You came in contact with for the first time, and for me the last time, a presidential mission overseas. Seeing the security that goes into that and the support that goes into that is an amazing experience. And I think that from a policy sense this was a symbol. The Vietnam War was hot, the Vietnam War was growing, but President Johnson, for whatever reason, decides to go to Latin America and meet with the presidents of the Americas. The next conference of presidents of the Americas was held in Washington, I think two years ago, and President Eduardo Frei's son represented Chile at that meeting.

Q: I'd like to go back just a bit. You say that Korry had a tremendous ego. Did this, when you were there, demonstrate itself in any way? Any stories or personal experiences?

GUENTHER: It was really more the gossip, that this person is coming. The gossip I remember being about was that Ambassador Korry, while representing a great democratic country, preferred dealing and operating with dictators, like he operated with Haile Selassie. He was unhappy with the democratic pluralism in Chile. The politics were too messy, and this bothered him.

Q: What was his background? Was he a professional Foreign Service officer?

GUENTHER: My recollection is his background was press. He was not a professional Foreign Service officer, and I believe Ethiopia was his first assignment.

Q: This was my impression too, that he came out of the press world.

GUENTHER: One last thing on Chile, reflecting on what was said and what was not said. Something else was happening at that time, Che Guevara in Bolivia. There was enormous interest in Che Guevara. I think the heaviest cable traffic that the embassy was receiving at that time was what Che Guevara was up to, the hunt for Che Guevara, and then the death of Che Guevara. Everybody in the embassy was following this with absolutely enormous attention. Bolivia's not that far from Chile, Che was killed in Bolivia. I think that Guevara, and the importance of Guevara, and the attention that the U.S. government paid to Guevara at that time, and this is looking back on it, thinking about it after the fact – it's sort of symbolic of what Latin American policy was all about in those years. And what it was really all about was, we had the war going in Vietnam, we had Castro in Cuba, we had a great fear of the spread of Communism throughout the world, we had great fear that there would be Castro-type movements breaking out throughout Latin America. I think Che Guevara going to Bolivia and trying to make a Cuba out of Bolivia is symbolic of this. I think the U.S. policy in Latin America was very heavily oriented and focused to make sure that there would not be additional Cubas in South America. I think what happened with Che Guevara is very symbolic of that.

Q: You left Chile in...

GUENTHER: February 1968.

Q: Where did you go?

GUENTHER: I went to the Department of State, the Foreign Service Institute. I was supposed to be assigned to Dusseldorf, Germany and they stuck me in German language training at the FSI that then was in Rosslyn.

Q: How long did you take German?

GUENTHER: The normal four months.

Q: Like carrying coals to Newcastle, keeping someone named Guenther in German. Had German crossed your lips before that?

GUENTHER: I am an immigrant's son of German parents. My first language was German, but I did not learn an educated German, so it was very, very difficult to try to retrain the mind from colloquial German to a German that would be acceptable in diplomatic circles. I don't think I successfully completed that transition.

Q: Where did you go? Did you go to Dusseldorf?

GUENTHER: What I remember most about the Foreign Service Institute was looking out the window and seeing Washington burning. This was the time when Martin Luther King was assassinated. There was a RIF in the State Department at this time. The position I was supposed to fill in Germany was taken by someone who had been RIFed, so I did not get the assignment to Germany and I was transferred to the Bureau of International Organizations.

Q: You were there from '68 to when?

GUENTHER: I was there from 1968 to the summer of 1969.

Q: What were your duties?

GUENTHER: I was working on U.S./UN affairs, focusing on an obscure organization in Vienna called UNIDO, United Nations Industrial Development Organization. I did a little work with the Economic Commission of Europe, I did a little work with the Economic Commission of Latin America, and we did a little work with UNCTAD, but my work on UNCTAD was with a more senior officer, and my primary responsibility was UNIDO.

Q: What was UNIDO doing and what was our interest in it?

GUENTHER: I think they were trying to promote industrial development in the world. But it was not a very high profile organization of the United Nations and I don't think they were that successful. They were in Vienna – I had a very nice trip to Vienna, but it was not the type of work that one would look back on and say, something meaningful was done in any way, shape, form, or manner.

Q: You did that for about a year.

GUENTHER: Correct.

Q: After this interesting interlude of dealing with this obscure agency - is it still around?

GUENTHER: I believe it is.

Q: These things don't die.

GUENTHER: I believe it's still there, I think it's in Vienna, I bet it's still being watched by a representative of the U.S. government.

Q: What did you do in '69?

GUENTHER: I mentioned in my previous interview that I had been the control officer of Senator Jacob K. Javits of New York, in Chile. The position in the U.S. Department of State was not terribly satisfying. The senator called me and indicated there were two openings on his staff, and wondered if I would be interested in filling one of the positions. The senator was very senior on the Foreign Relations Committee and on other committees. He was really at the peak of his career, vigorous and very influential. After a great deal of soul-searching – I had another job offer on the table. To stay in the State Department family, to go to the White House and work on White House correspondence – I made the difficult decision to leave the Department of State and go with Senator Jacob Javits.

Q: This was a pretty major decision. Was it the Foreign Service or the job that was offered to you – were you ready to get out? Had the Foreign Service not met what you really wanted to do?

GUENTHER: When you come to a major decision in your life, there's a whole series of factors that go into that decision. One of the factors was that was a person I had been in graduate school with and had worked with at the Department of Commerce had just received an appointment to be a deputy assistant secretary of state for Latin American affairs. I was looking at a FSO-5, and here was a counterpart of mine who had taken a political route to be a deputy assistant secretary. The way things were going in the State Department at that time, you had to be pretty good and pretty lucky to get to the deputy assistant secretary level. So that was one factor, though I don't think it was a major factor.

Another factor was I knew it was interesting work and he was a very impressive man. I liked him and he liked me. I knew it was going to be a very interesting job.

Another major factor was that we had a devastating automobile accident in Chile. My wife was almost killed. I was almost killed. My wife had a very severe brain trauma, and

there was a lasting disability. The lasting disability was severe enough that I do think that my opportunities in the Foreign Service would have been somewhat limited in terms of posting in countries like Chile. At that time - the accident was May 8, 1966 - when you had an accident like that the recovery period was rather long. We had a very young child. The needs and the stability of the family at that time, I think, was key to the decision.

But, having said that, when they said go to the basement of the Department of State and take your passports with you, and you go to the basement of the Department of State carrying your three lovely black passports, there sits a very old and wizened lady, who apparently has been doing this for 20, 30, 40 years. She looks at you with a frown and says hand over your passports. And she pulls out a big pair of scissors and cuts the corner of a diplomatic passport and hands them back to you. You realize that you have made a career decision and you're not going back.

Q: Equivalent to working your buttons off in the military. Tell me about how you saw Senator Javits – what was his background and status before you got to work with him.

GUENTHER: I'm from New York. He was the senator from New York. He was very prominent. He was one of the then moderate Republicans, moderate liberal Republicans, that had a considerable voice in the Republican Party and the nation. When I joined his staff he was 65. Same age as my father. Highly regarded, highly respected, very energetic, very intelligent. Interested in international economic affairs, played a major role in this country on international economic affairs. Jewish senator, very much interested in the Middle East. Consumed by the Middle East. Moderate in terms of the Middle East, like President Clinton now, wakes up trying to find out how to get people towards the middle, to try to end that ongoing conflict. He spent a lot of time and an awful lot of effort on foreign affairs, international economic affairs, Middle Eastern affairs, very much interested in Latin America. And that was his love. His bread-and-butter in the Senate was his work on the Public Welfare Committee, and there he was able to deliver the goods, the bread-and-butter, for the poorer constituents of New York, while he was doing what he really liked to do, which was foreign affairs. And I think he always hoped that he might become the first Jewish vice president. It never happened.

Q: He was highly respected by all. You worked with him from when to when?

GUENTHER: I joined him in July 1969 and left about July-August 1973, a little over four years.

Q: What were you doing?

GUENTHER: I was his special assistant for economic affairs. I supervised his staff on the Joint Economic Committee, a staff of three. There was a heavy domestic economic component. Late in 1969 he called for the resignation of William F. Chesney Martin as the chairman of the Federal Reserve System. I got a little wiser in the ways of domestic politics, I realized that the senator was very, very close to Arthur Burns. Arthur Burns wanted the job, and I think the senator was carrying Arthur Burns' water in calling for the

resignation of William F. Chesney Martin. When Burns did get the job, after Nixon was elected, whenever Burns wanted something done that no one else would do for him, Javits would do it for him. My first four months with the senator was the successful culmination of something he had worked on for five or six years, and this was the establishment of the Overseas Private Investment Corporation. OPIC looks towards encouraging American companies to invest abroad by insuring political risk. This was a very major fight, because the then-chairman of the Senate Foreign Relations Committee, William Fulbright of Arkansas, and his young lieutenant, Senator Fred Church of Idaho, had no use for OPIC. So we had to put together a coalition to defeat the chairman on this issue. A national coalition. Very exciting. I don't think it's often that you're there at the creation of an important new agency of the government.

Q: What was Fulbright's opposition to it?

GUENTHER: They felt that this was partially a government subsidy of the multinational corporations, that did not need it. They had a different attitude regarding the multinational corporations. Church and Fulbright were rather critical, while Senator Javits was the senator of the multinational corporations and the bigger banks.

Q: Were you having to make contact with the major banks in New York, the Rockefellers etc? How did they play as a factor in Javits' positions?

GUENTHER: The senator was, as I indicated, very senior in his career. He was used to dealing on the world stage. This is what made it such a delight to work for him. I remember him saying, "I will deal with the kings. You will deal with everybody else." There was only one king in the Department of State, and that was Henry Kissinger, and so we were left to deal with everybody underneath Kissinger. An enormous portfolio. I dealt with most of the bankers - David Rockefeller was the head of Chase at that time - David did have the 'in' with the senator. Nelson Rockefeller was the governor of New York, Nelson was through quite often. I remember he was quite smaller than people thought he was, on TV, in terms of size. He was a very friendly, gregarious man, always saying "hiya fella, hiya fella." I had meetings with David. McNamara was the head of the World Bank. McNamara had a magnificent green Cadillac. He would come to the senator's hideaway office in the Capitol. The senator was always late, his hideaway office was S-123. I would meet the visitors and take them to the hideaway office. Since the senator always was running about 15 to 20 minutes late, you'd have 15 to 20 minutes with people like McNamara, Armand Hammer of Occidental Petroleum, who was a major player, multinational corporation leaders. I remember the head of Squibb coming in - the senator that time was 40 minutes late - when he came in he said, "I have 30 seconds. What's on your mind?" It required diplomatic skills, because I had to keep them amused and entertained, and then sometimes defuse their furious anger. That era, and problems with that era, are a little bit still with us. One of the major problems was the Middle East. And this was very much on Kissinger and Nixon's agenda. The Senate broke down along interesting lines. The moderates on the Israel-Jewish question were Javits and Humphrey. The very hard-liners on the Jewish question were Senators Jackson and Ribicoff.

Q: By hard-liners, what would you mean?

GUENTHER: Very pro-Israel to the extent that sometimes one would have the suspicion that they were more supportive of Israeli policies and foreign policies than American goals and objectives in the Middle East. The hard-liners were "Scoop" Jackson, a senator from Washington, and Abe Ribicoff from Connecticut. And there was enormous tension between the moderates and the hard-liners on those questions of the day. Scoop Jackson was interested in running for the presidency and Senator Javits noted that he was trying to build his candidacy on the back of the Jewish constituency in the Democratic party. One of his staffers at that time, Dick Perle, has just been in the news -- you may have seen him -- urging the Israelis to be aware of the motivations of President Clinton in the peace talks that are going forward, that this is an election year, and Perle is essentially saying don't cut a deal. Perle always played hardball when Israeli interests were in play. This was his position back then, working for Jackson. A complicating factor was his wife was working for the Joint Economic Committee, and was working for me. An ongoing, major battle was over legislating the terms of the exit of Soviet Jews from the Soviet Union. Very, very hard fought. Our role, Javits' role, my little piece of history in what became the Jackson-Vanik amendment to the Trade Act of 1974 was enacting a prohibition that if the Soviets didn't treat the Russian Jews or the Eastern European Jews who wanted to emigrate correctly, the guarantees of OPIC could be lifted. We formed OPIC in 1969, then in early 1974 when the Jackson-Vanik amendment was passed, OPIC investment guarantees were used as a policy tool to further Jewish migration from the Soviet Union.

Q: I'm not too familiar with this, except for what I've heard. I've heard people say the Jackson-Vanik Amendment - actually Jewish migration from the Soviet Union was moving along fairly well, not making a big deal out of it. But when the Jackson-Vanik Amendment came along, it raised it up to a political level and it actually caused less migration than before. I was wondering whether this was true, and how did the State Department play in this?

GUENTHER: It was a very heated and very complex issue. My memory is like your memory. The Russians were making moves towards liberalizing their policy. I was not a Soviet expert then. My memory is that when Jackson and Ribicoff won in the Senate, and beat Javits and Humphrey on some of these key legislative questions dealing with immigration of Soviet Jews, that this did push the Soviet Union into a harder-line position. And made relations between the U.S. and Soviets more difficult, but I think that was the intent of the right. They didn't want to accommodate the Soviet Union in any way, they wanted to destroy it. And in a way, history has judged them correctly.

Q: What was the role of the State Department? Were you there during the big Nixon "shoku" of going off the gold standard? That should have hit your committee.

GUENTHER: Funny. I was thinking about that this morning, driving in. Yes. Relations with Japan right now are very much on the front burner. President Clinton right now is viewed as having insulted the Japanese by staying at the Middle East peace talks rather than going to Japan and meeting the new head of the Japanese government before he

went to Okinawa.

1971 was a very tough time in terms of U.S.-Japanese relations, and we were very much in the middle of it. There were three “shokus,” as you mentioned, shocks. One of the three shocks was the devaluation of the dollar which took place on August 15, 1971, an enormous economic policy decision with worldwide ramifications, going off the gold standard. Yes, Senator Javits played a major role in that. August 6, 1971 – it’s all coming back – we had a bipartisan press conference in the Senate pushing the Administration in this direction. We generated so much heat that I think we accelerated that decision. The senator did, the senator was leading the charge. I think he was leading the charge because he was working with Arthur Burns and Jean Monet. Burns was a very good friend and chairman of the Federal Reserve, and Jean Monet was the father of modern Europe. Big, big stuff. It was fascinating.

The three shocks for Japan were one, what happened on August 15, 1971; two, recognition of Red China; and three, the textile talks. The textile talks were over the United States’ intent to put limitations on Japanese textiles coming to this country. The question was, should there be a comprehensive agreement or should there be an agreement that was less than comprehensive? We were working very closely with the Japanese, behind the backs of the Department of State and behind the backs of Nixon and Kissinger, for a less than comprehensive textile agreement. Javits failed, and the reason Javits failed and we ended up with a comprehensive textile agreement, which did set back U.S.-Japanese relations, was that Nixon had made a campaign promise to the textile lobby. This presidential commitment came out only later. The limitation that ended up being negotiated was comprehensive, to the detriment of U.S.-Japanese relations.

Q: This is part of their Southern strategy.

GUENTHER: Which worked. Nixon was up was up for re-election in 1972. He had committed that he would get a comprehensive textile agreement, and he did. But we had those three severe shocks to U.S.-Japan relations not that long ago.

Q: I would think that, dealing with the economic issues, you wouldn't be sitting on top of constituent correspondence saying 'I want the gold standard reduced' coming from someplace in upstate New York. I would think this would the influence would be coming from either industry or academia. You wouldn't be dealing with bread-and-butter constituent issues.

GUENTHER: This was coming, in my judgment, from Federal Reserve Chairman Arthur Burns, the large multinational banks and corporations headquartered in New York, and European officials like Jean Monet. The senator also enjoyed annoying Treasury Secretary John Connally.

Going back to the Japanese problem, there was a very, very large textile industry in New York, the garment trade. They hated what the senator was doing and it was a major political battle with the multinational corporations and the senator on the one hand and

the garment workers on the other hand. And the senator was ranking on the Labor and Public Welfare Committee. And the staff, me pushing one direction and the committee staff and labor pushing the other.

Q: Why was the senator taking this less constituent-friendly posture?

GUENTHER: Because he believed it. He was a very legitimate free trader. He was a legitimate globalist before that term was in vogue.

Q: Did he ever sit around and philosophize? Did you have a chance to interact with him or were you carrying out his will?

GUENTHER: No, there was a constant interaction, a constant interaction on the run, walking down the hall with him, three staffers running to keep up with him, trying to get three or four words in. When you staff out a committee hearing, you suggest the questions that he should ask. We wrote the speeches – he only looked at the first page because that's what the press would look at. And your tenure with the senator would have been very short indeed if you didn't make The New York Times at least once a month. The New York Times was a world paper, but also a very local paper and the senator had to be in the Times. So it was a very press-conscious office.

Q: The congressional staff changes all the time, but today it's almost as though there's a fourth power in the U.S. government, and that's the Congressional staff along with the executive, legislative and judicial. At least it sometimes appears that way. What was your impression the staff, not just Javits', but others, during the time '69-'73?

GUENTHER: Let me get back to that in one second. Another memory has come. Historically significant, of course. Vietnam was very, very ugly. And there were thousands of people coming down to the senator's office in opposition to Vietnam. The senator had changed his position while I was on his staff. He had moved from supporting our involvement in Vietnam to opposing it. The senator let his constituents know that he couldn't meet with them every day of the week, so he left two hours open on Friday afternoons, before he flew home, to meet with people who were concerned about Vietnam. Trains came down to New York, thousands of people.

And the senator was in absolute despair, and all over staff demanding a legislative vehicle that addressed the Vietnam War. And there were all kinds of proposals around against the war. Cooper and Church, Sherman Cooper of Kentucky, Senator Case of New Jersey, Fulbright. Cooper and Case were liberal Republicans, like Javits. Fulbright and Church were Democrats against the war. Goodell of New York, against the war. And they were getting the headlines, in terms of their Cooper-Church resolution, a Fulbright-Cooper resolution. And Senator Javitz said to his staff, you've got to give me a legislative vehicle. It was at the Monocle Restaurant, and on the menu of the Monocle we sketched out the war powers bill.

And after I left the senator's office, the war powers bill did pass. This was legislation

bitterly resented by President Nixon, bitterly fought, which would limit the power of presidents to unilaterally engage in actions like President Nixon was engaging in. The person staffing Church at that time was Tom Pine. He later came back with the Clinton Administration, with AID. This was the time when Nixon went into Cambodia. We worked closely with Church and Fulbright in opposition to Nixon's move into Cambodia.

Q: This was in May of 1970. I was in Saigon, so I followed this vividly.

GUENTHER: I had a lovely administrative assistant who had an M.A. Here I was, a strait-laced guy with State Department training, knowing, as I told you in my previous interview, knowing the force and might of security and the importance of security. And here you had the senator against the war, the staff very much against the war, I was against the war. And one time you had one of those marches on Washington, and I remember the police cordons around the Capitol. I had top-secret security clearance, very hard won. Maybe it was an irrational fear that this could affect that clearance, but I sat in my office as my administrative assistant went out and joined the demonstrators. They were rounded up, schlepped off to the DC stadium where thousands of demonstrators were incarcerated for a short period of time.

Senator Javits and Senator Case and some other senators went to the stadium and walked around until they got all their staff out. Days of shame in one's life. It relates to your question of staff. A very, very able staff. A superb staff, an intellectually-engaged staff, a staff engaged in public policy. Competition for the senator's time, yes, generally working together. One staffer one time really drove me nuts, going behind my back all the time, and I got to the senator and said this staffer is a real son of a bitch, a Machiavellian maneuverer. And the senator looked at me and said, that is why he is so useful.

Q: Roosevelt was a master of that. During this time did you run across a team on the International Relations Committee, Lowenstein and Moose?

GUENTHER: Yes, but I didn't know them that well.

Q: Dick Moose? But this wasn't your particular thing. On the economic side, who were the senators and congressmen playing a role in the Joint Economic Committee?

GUENTHER: Chairman Proxmire was playing a major role. John Connally was the secretary of the Treasury, and Connally had absolutely no use for the State Department.

Q: John Connally of Texas.

GUENTHER: He set up his own foreign communications channel and was driving the State Department absolutely nuts. And he was also driving Fed Chairman Arthur Burns nuts. Great competition in terms of economic policy and international economic policy between Connally, the hard-liner, and Burns. Javits constantly played with Burns and Kissinger against Connally. That took a lot of effort. You also had Pete Peterson, international economic counsel in the White House, former secretary of commerce. We also had a hand in getting an international economic coordinating office in the White

House. We were players in the Second Development decade and the issue of how much countries should give to the United Nations. I think the United Nations then was not playing as significant a peace-keeping role as now, but it was in better standing.

Q: Did you feel the heavy hand of the pro-Israeli lobby? I would think that Senator Javits, this would be a daily...

GUENTHER: Mr. Kennedy, you're too smart, you're just too smart. I mentioned the conflict between Ribicoff and Jackson with Javits and Humphrey. The American Service Public Affairs Committee was in the middle of this. They were very much in the hard-line, pro-Israeli camp, in my judgment often to the detriment of American foreign policy goals. When Ribicoff's staff person left, he became the head of the group that so effectively represents Israel's interests.

There were leaks in the Israeli press about Senator Javits, that Senator Javits was like the Polish Jews who weren't willing to stand up to the Germans, essentially that Senator Javits was weak on Israeli questions. The senator felt that Dick Perle of Jackson's staff was the source of the leaks. There was enormous tension. There was tension in terms of the soul of Kissinger on this issue. John Lehman of Kissinger's staff, who went on to become secretary of the navy, was in the Jackson-Ribicoff camp. Kissinger's staff on the economic side were Fred Bergston and Bob Hormats, who is now with Goldman Sachs. Those were the people I was dealing with on the economic questions, and the senator was dealing with Kissinger.

Q: Javits was always known by New Yorkers as being quiet, soft-spoken, non-aggressive. How did you find this?

GUENTHER: The senator was never quiet -- he was abrasive. He's an immigrant's son, too. He had to elbow his way up. He had a lovely relationship with his older brother, Ben Javits. But he was a man without temper. He very, very rarely got angry. There was no Senator Javits chewing out staff. If the staff screwed up, they would soon not be working for the senator. Marian Javits was difficult, but again very able.

Q: His wife?

GUENTHER: Yes.

Q: She was a major political figure too. Not a major player, but she was involved.

GUENTHER: She raised the family in New York. She was not down at the Watergate apartment. The senator flew home every Sabbath, which is the only thing that kept us sane. She was the artistic outlet. One other thing the senator did that was very interesting. He was the proponent of the multinational corporations. But he wanted something from the multinational corporations for the profits they were making throughout the world. So he set up private regional organizations where he essentially got blood money out of the multinational corporations to finance these do-good projects. And it was a worldwide

effort. In Latin America it was ADELA. In Japan it was PICA. In the Middle East the senator was working with the Shah of Iran. And on the side there was a Greek-Turkey Development Corporation looking to bridge this ancient enmity while buttressing the southern flank of NATO and Israel's security at the same time. Marion Javits was involved with the senator's efforts in Iran. She was also successfully raising three young children.

Q: How about trips? Did you go on many trips?

GUENTHER: Yes. Flew with the senator to Latin America and met with President Echeverria of Mexico. Flew with the senator on a couple of NATO parliamentary meetings. He had authorized a very, very major paper on the future of NATO. I worked on the economic portion of that paper. John Sparkman of Alabama was chairman of the Banking Committee. We went with him to Ottawa to meet NATO parliamentarians. We were all standing at a cocktail party and this little, slight man came in and we thought, aha, here's another waiter. And it ended up being the prime minister of Canada, Trudeau. Went with him to Brussels to meet with the EEC. The senator was amazing.

Q: Did developments in Chile, and Allende coming in, was that at all an issue with Javits?

GUENTHER: He sort of kept me out of that. He met with Edwards who ran the conservative paper called El Mercurio. I have a feeling that the senator was more involved than I knew with the anti-Allende forces, but that was not my portfolio. The multinational corporations led by ITT were involved in the anti-Allende planning.

Q: Was there a group in the Senate that one could describe as Neanderthals, particularly the right-wing Republican Party, not necessarily on the Israeli thing, but on foreign affairs, essentially isolationist, saying we're spending too much money, need to stay at home, or is this something that has developed later on?

GUENTHER: I think it's always been there. It's always been part of the Republican Party. I think it's gotten much more powerful now, a much stronger and real isolationist trend. You did have senators like Carl Curtis of Nebraska who were pretty Neanderthal on all foreign policy questions except for trade. Senator Norris Colton of New Hampshire was Neanderthal and also very protectionist. I did a lot of work in the trade area. And you could work with them in the trade area, because they understood the importance of agricultural exports, and that's been a constant of American foreign policy. Through today. The upcoming vote on China – we are very much in a powerful coalition with the agricultural interests pushing PNTR with China because exports are important.

Q: Is there anything else we should touch on this time with Javits?

GUENTHER: August 15, 1971, when the economic policy of the United States had changed, and the international economic policy also. Taking the U.S. off of gold. The current realignment which took place on December 17, 1971, called the Smithsonian

Agreement, kept us very, very busy. And they had a domestic counterpart -- a national productivity council. The economy was troubled. And a troubled economy was high on the senator's agenda and took a lot of time.

Q: In '73, what happened?

GUENTHER: I had spent four marvelous years with the senator. We all were worked very, very hard. On the Hill you work through the senator and become part of his ego. That's the whole life. You pick up the phone and you mumble your name and you shout Senator Javits. So I wanted to have more of an independent role, and so I was interested in getting in the Treasury Department, working with international development institutions at the deputy assistant secretary/assistant secretary level. Javits, because of Vietnam and other things, was on President Nixon's enemy list, but they couldn't deny him totally. So instead of getting the position I wanted at the Treasury Department, I got the offer of alternate executive director of the Inter-American Development Bank.

Q: You were there '73 to when?

GUENTHER: '73 - '74. This was a presidential appointment, advise and consent of the Senate, reporting to the secretary of the Treasury. That's how the job description read but it was not really the case. After I was sworn in by Secretary Shultz I never had another meeting with him. Our sensitive business was all channeled through the assistant secretary for international affairs.

Q: What were you doing?

GUENTHER: Again, looking over loans to Latin and Central America and the Caribbean. There were some very, very hot issues between the State Department and the Treasury Department. And the Treasury Department always won. Because the Treasury Department wanted to run that program, they always elevated conflict immediately to the secretary of the Treasury level, and the State Department never got the conflict to Kissinger. So on almost all the key issues, the Treasury, working with the Federal Reserve, prevailed. Secretary of State Kissinger had little interest in international financial issues or institutions.

Q: You were there for about a year, and then what happened?

GUENTHER: It was a very troubling year. Troubling in a policy sense. In my capacity as a representative of the U.S. government I traveled widely through South America and the Caribbean. In 1973 during a meeting of the Board, we were routinely reviewing the loans when the president of the bank, Ortiz Mena of Mexico, came in and said that there had been a coup in Chile. Allende had been overthrown, and killed. I can remember the Chilean alternate director, a fellow called Poklepovich, throwing himself on the board table and weeping and sobbing.

The bank's previous policy toward Chile was to help undermine Chile financially and economically. The U.S. Treasury previously viewed the bank as an instrument of the

economic efforts of the U.S. government to undermine the Allende government. Our job was to make sure that not one shekel left the bank for Allende and for Chile. The only other major political pressure, that didn't have the same intensity, came from an important chairman who headed up a very key committee in the House of Representatives. She represented a fishing constituency and made very, very sure that there was no money going out of the bank to support fishing efforts in the Pacific. So those were the two major political injunctions.

It bothered me, because I knew Chile. I didn't like the fact that Nixon and Kissinger, for whatever reasons, had decided to be complicit in the 1970 election in opposition to the Christian Democratic candidate. And then in 1973 the U.S. government used every ounce of pressure they had within the Inter-American Development Bank to economically undermine Chile. After the coup, the U.S. government pressured the Board so that the annual meeting was transferred to Chile. Two loans were rapidly processed – an oil and gas loan and another loan. I went down to Chile in '73 to prepare the way for Treasury Secretary Shultz who was leading the U.S. delegation to the annual meeting. Secretary Shultz was making a trip around Latin America – Caracas, down the Argentine-Brazilian coast and across to Chile. His flight was delayed. Thus I, rather than he, ended up signing these two loans to the Chilean government – to the military junta of which General Pinochet was the dominant member.

I remember being vigorously attacked by the Brazilian government among other Latin American governments for this American policy. I had kept up with some people in Chile. While with the embassy in Santiago, we had a local assistant in the labor attache's office. With a new military government that was killing off the labor movement, the embassy didn't need a local assistant any longer. When I left the hotel after doing the dastardly deed of signing the loans to the Chilean military junta, this former Chilean national employee of the embassy was in the crowd outside the hotel. I knew he had been dismissed from the embassy, and I knew there was nothing I could do for him in any way. A very poignant moment.

There was another poignant moment, and this was after Secretary Shultz arrived. We were in this very large auditorium. We were all sitting there and then we had to stand as the military junta goose-stepped in. The Chileans were known for goose-stepping. Five men in uniform came goose-stepping into the auditorium, and we applauded them. And it bothered me. It bothered me enormously. And I began exploring options to get out of the bank. I didn't like our role in Chile. We did have a major role in overthrowing a democratically-elected government and installing a right-wing military government. My father would not have been proud. It was time to think about leaving the bank, and given my Washington connection this was easy to do.

Q: What happened after this?

GUENTHER: Okay, I left the bank in August 1974. As a presidential appointee, I wrote my letter of resignation to President Ford. I moved to the Office of the Special Trade Representative and got a Civil Service appointment as an assistant STR (special trade

representative). And the reason it was easy to get that position was that the Trade Act of 1974 was pending before the Congress. There were all kinds of trade questions that I had intimate knowledge of, including Jackson-Vanik, and all those good things. I had tremendous Hill connections in the trade area from my Javits days. I knew Ambassador Eberly, who was the STR, I knew Hal Malmgren, who was the deputy STR, and so they facilitated a very quick move to the White House. I do think I played a major role in getting the Trade Act of '74 through the U.S. Senate.

Q: Did you continue in that for some time?

GUENTHER: The high point of my governmental career – the Trade Act of 1974 passes, Ambassador Eberly has had enough. He resigns, Hal Malmgren, the deputy, highly-regarded, highly-respected, but also an enormous ego, decides he is indispensable in terms of the U.S. government because the multilateral negotiations authorized by the new law are kicking off. And he makes a power play, indicating that if you don't give me the STR position, I will resign. Bill Seidman, assistant to the president for economic affairs for President Ford, tells Malmgren he can go stick it, Malmgren resigns, and lo and behold, who is then heading up STR? Me. So there I am in my modest Chevy Chase abode, black car coming and picking me up every morning to run me down to STR, and it was absolutely fascinating.

The multilateral negotiations mandated by the Trade Act of 1974 were kicking off, I was head of the White House office in charge of that, and I was politically over my head. This was big-time stuff for the other agencies. I was dealing with the secretary of commerce, I was dealing with the undersecretary for economic affairs of the Department of State, with the secretary of Agriculture, Clayton Yeutter, who later became chief of staff for the Bush White House. Commerce was involved, Ag was involved, Treasury was involved, and there was poor little old me. And they were like sharks coming in, and every day I had to wake up and wonder which shark was going to come in and try to take a bite out of our jurisdiction.

And it was getting rather bad, so I went with my hat in my hand to Bill Seidman, who was the assistant to the president. I was a young guy going to see the assistant to the president of the United States to tell him something was going wrong in terms of the multilateral trade negotiations and that the White House authority was being eroded. Seidman had a very ingenious solution. Seidman said, fine, we'll do this. If anything is happening that you really think is detrimental or is detrimental to the authority and the power and the prestige of the White House, you just tell the sharks at the other agencies that this requires my clearance. And it did end up that we did get some cables out that the others didn't want because Seidman agreed to send them. And we did block some cables that others wanted because Seidman refused to clear them. And so he had a very protective role in terms of maintaining the position and power of the White House STR against the conniving hands of the Department of State and Department of Agriculture and Department of Commerce. And some 20 years later I worked very closely with then-FDIC Chairman Bill Seidman on the resolution of the savings and loan crisis when I was in the private sector.

I was succeeded in this position by the secretary of commerce. Fred Dent came over and became the STR. The law of 1974 created two deputy positions that were ambassadorial rank. I went for the negotiating position in Geneva. I thought I had a brilliant chance, because I had Bill Seidman, Javits and Barber Conable, ranking Republican on the Ways and Means Committee, all these good people supporting my candidacy. I thought it was a slam-dunk, and then lo and behold, the head of White House personnel decided that he wanted the job for himself. His name was Bill Walker. He didn't know his ass from a hole in the ground on trade matters, but Walker did get the job. So there I was, having run STR, not having gotten the ambassadorial position, bitterly disappointed.

In retrospect, in these earthquakes in one's career in Washington, I knew I had to leave STR. And again, doors were open. And what was open was, as I mentioned earlier, Senator Javits had carried Fed Chairman Arthur Burns' water on absolutely everything. I had worked very closely with the Federal Reserve staff. Javits was maneuvering against Connally at the Treasury Department, working with the then-chairman of the House Banking Committee, Henry Reuss. In the period just after August 15, 1971, and the agreement to realign the major currencies of the world on December 17, 1971, Javits and Reuss would team up before every major international meeting and introduce a concurrent resolution of the Congress calling for the United States delegation to agree to devalue the dollar as part of any international settlement. The purpose of this was to undermine Secretary Connally's negotiating position. Secretary Connally would send Undersecretary of Monetary Affairs Paul Volcker to see the senator to try to talk him out of it. In the senator's hideaway office, I would try to entertain Volcker while we waited for the senator to come off the floor. The senator would courteously hear Volcker out – and when Volcker left he would call Reuss and tell him that Volcker had been by and that he was going up to the Senate floor to introduce the resolution that Secretary Connally so strongly opposed. As I mentioned, it is my feeling that these actions were closely coordinated with Fed Chairman Burns – perhaps with Kissinger – and the fact that a successful monetary alignment was negotiated in December 1971 speaks for itself.

The head of congressional relations of the Federal Reserve system had just opened up, a good friend of mine had decided to retire, so there was that position. I had a couple of interviews with Chairman Burns and was hired to be the assistant to the Board of Governors of the Federal Reserve System in July of 1975.

Q: And you did that for how long?

GUENTHER: Four years. Again, an amusing anecdote that was typical of the Federal Reserve under Chairman Burns. I remember the last question the chairman asked me before hiring me, he said, Guenther, you realize that if you join the board you take the veil. He used a Catholic analogy, you become an economics "nun," so to speak. Meaning that when you join the board, you lose your freedom to invest in the stock market, talk to the press and on occasion work against key members of the Congress.

I was at the Fed through Chairman Burns' chairmanship. The Federal Reserve was under

political attack, there was a shaky economy. President Ford had been defeated by Carter. Chairman Burns was the highest ranking Republican remaining in Washington. All kinds of reform efforts looking toward changing and weakening the structure of the Board of Governors of the Federal Reserve System were alive and well in the Congress.

We had our hands absolutely full with one piece of legislation after another which would have diminished the board's authority. The Humphrey-Hawkins bill, whose authority requires Greenspan to testify twice a year, passed while I was there. The last reform of the Federal Reserve System passed while I was there. The Community Reinvestment Act passed while I was there. The GAO audit of the Fed passed while I was there. All measures that were viewed as being contrary to the best interests of the Federal Reserve System, but the Fed had enough power and enough friends on the Hill that we were able to take the sharpest edges off the legislation. Chairman Burns awarded me the Federal Reserve's Special Achievement Award for these efforts along with the highest bonus paid to any Fed staffer.

Burns very much wanted to be re-appointed, but knew it was very hard to be re-appointed given his Nixon-Republican background. His contact in the Carter Administration was OMB Director Bert Lance. Burns was very close to Bert Lance. Burns was devastated when Lance got caught up in a mess and was forced to resign. Burns did isolate his reappointment lobbying from his chairmanship duties. He created a special assistant position and filled it with a friend from J. P. Morgan who was on the front line in terms of lobbying. The chairman, after Bert Lance left, tried to get close to Rosalyn Carter because Jimmy Carter didn't like him that much. And after he didn't make the connection with Rosalyn, he tried to make the connection with Bob Strauss, head of the Democratic National Committee. I was at these meetings with Lance and Strauss, who the chairman brought in to meet with the most prestigious Federal Reserve advisory bodies. Unfortunately for the chairman's reappointment hopes, the meeting with Strauss went badly.

It was after the Strauss meeting that the political dagger was drawn and the chairman was slain. When the Carter administration decided to kill off Chairman Burns, it was Senator Hubert Humphrey of Minnesota who made the speech on the Senate floor that passed the signal that Burns could not be reappointed. Burns was very bitter, and he blamed Vice President Mondale for arranging for Humphrey, who by the way was dying of cancer, to make this speech. And Burns was very disappointed, because he always thought he had a good relationship with Humphrey.

For whatever reasons, Chairman Burns had little respect for the economic and financial talents of the State Department. He prided himself on his fine working relations with the Treasury Department under Secretary Simon, while deprecating the ability of the State Department in understanding or interpreting financial development. But in the early years of the Reagan administration, Chairman Burns was appointed to the important post of West German ambassador in Bonn. Working with key foreign service career appointees, Burns fashioned a highly visible and successful ambassadorship. Burns was the son of Jewish immigrants and he prided himself in reaching out to the youth of Germany and

felt he had played an important role in healing wounds while building a bridge to the emerging generation. I visited the chairman once in Germany. Security was tighter for Ambassador Burns than it had been for Chairman Burns. A second car carrying security personnel was always five feet behind the bumper of the limousine carrying the American ambassador.

Burns died shortly after returning from Bonn. He was born in 1904, the same year as my father and Senator Javits, and he died shortly before my father passed away.

It was the vice president who announced that the head of Textron, G. William Miller, would replace Burns as chairman of the Fed. I thought that my days at the Fed were numbered, since I came to the Fed from the Nixon-Ford White House, did the political relations for the Board of Governors under Chairman Burns, and had worked actively against the pet projects of Democratic chairmen of the House and Senate Banking Committees. Also, the new incoming chairman was a friend of Fritz Mondale. In fact, there was a lot of talk that Bill Miller of Textron after his stint as chairman of the Fed was going to be on the vice presidential ticket when Mondale ran. Miller wanted that, but the economy and his tenure at the Fed just did not permit it. But then there was a humongous confirmation fight with Senate Banking Committee Chairman Bill Proxmire strongly opposing the nomination of Miller. The key issue in the confirmation fight was over Textron's sales of helicopters to Iran. Textron was selling helicopters to Iran and paying hush money under the table to the key Iranian military and perhaps to the Shah. And the confirmation fight, led by Proxmire, revolved around the question 'what did you know and when did you know it?' And it was a really humongous fight, and I had to lead the battle to get Miller confirmed, and he was confirmed. The most dramatic moment was the final day and the final hearing. We're all in the Senate Banking Committee hearing room, Proxmire didn't have the votes, and we had broken some Democratic senators away from the Proxmire position. Miller's wife was also in the room, and Proxmire said to Miller, you will be confirmed, but as a man of honor, I suggest you withdraw your application. Dead silence in the room. Miller did not withdraw his name, he was confirmed, and my job at the Federal Reserve was secure.

Chairman Miller had subsequent tremendous successes in securing the passage of vital legislation. The legislation I played a major role in getting for Chairman Miller that had international ramifications was the International Banking Act of 1978. This established national treatment for foreign banks in the United States. It was opposed by the American Bankers Association and Miller ran roughshod over their opposition and they later ran roughshod over his reputation.

Miller left the Federal Reserve after only 18 months. I think his tenure as chairman of the Federal Reserve System as regards economic and monetary policy is widely viewed to be a failure. He was rather brilliant on the legislative front. The International Banking Act of '78 is still a major piece of legislation impacting on the shape and structure of the international banking world. We made very, very good progress on the historic legislation that became the Depository Institutions Deregulation and Monetary Control Act of 1980. Miller left to become secretary of the Treasury.

Paul Volcker, the president of the Federal Reserve Bank of New York, was nominated by President Carter to become the next chairman of the Federal Reserve System. I mentioned before that Volcker previously worked for Treasury Secretary John Connally, who Senator Javits, with my staff support, had worked to frustrate. Fortunately, I had forged a good relationship with Volcker when I was working for Chairman Burns and I spent a good, happy year working for Volcker at the Fed.

I was working for him at the Fed when he returned from Europe on October 6, 1979, to change the monetary policy of the United States to break the back of the inflationary pressures that were beginning to plague the economy. Volcker's decision was to target the growth of the monetary aggregates rather than short-term interest rates. It had the effect of driving the prime rate over 20 percent briefly. Its costs were the driving of the economy into a sharp but brief recession while breaking the back of the savings and loan industry leading to a \$150 billion taxpayer bailout of the savings and loan deposit insurance fund. This monetary decision is widely viewed as laying the groundwork for the extraordinary American and world prosperity of the 1990s. My job was to explain it to appropriate congressional players.

We also succeeded in securing the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980. Volcker was at the Fed – Bill Miller was the secretary of the Treasury. The bill deregulated interest rates while providing for monetary reserve requirements to facilitate the conduct of monetary policy.

I got a presidential pen. All kinds of nice things, a note from Jimmy Carter, a note from Volcker, a note from Miller at the Treasury Department. And then for whatever reason I decided, at age 44ish, if I kept my nose clean and was a good employee and did what the subsequent Fed chairmen told me, I could still be at the Board of Governors of the Federal Reserve System as the assistant to the Board for congressional relations. But I wanted to do something a little different, so on December 12, 1979, I left U.S. government and have been heading up a trade association of community banks for the past 20 years.

Q: Great. Well, that's probably a good place to stop.

GUENTHER: My government service ends.

Q: Well, thank you very much then.

End of interview