

**Presidential Oral History Program**

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## **CARTER PRESIDENCY PROJECT**

### **FINAL EDITED TRANSCRIPT**

### **INTERVIEW WITH JAMES MCINTYRE**

October 28-29, 1981

#### **Participants**

##### *University of Virginia*

Charles Jones  
Don Kettl  
Frederick Mosher  
Peter Petkas  
Steve Rhoads  
James Sterling Young, chair

##### *Visiting Academic participant*

Donald Raider

##### *Also Present*

Hubert Harris, Director of Congressional Relations, OMB  
Van Ooms, Chief Economist, OMB

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| UNIVERSITY of VIRGINIA

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**Young:** The ground rules are all understood as we went over them yesterday with all the participants. We might as well get right to business. Jim McIntyre and his associates would like to start out with an overview, and then we'll talk about the transition organizing and staffing considerations before getting into budget and economic policy later on. Please go ahead, Jim.

**McIntyre:** Thank you. I will start out with a short history about how OMB [Office of Management and Budget] was conceived and organized at the beginning of the administration. Apparently it's a bit cloudy as to exactly how we were organized and how we ended up being staffed the way we were. Most people think that I got associated with OMB because of Bert Lance. How I got associated with OMB was a particularly relevant factor when I was being confirmed.

Almost a week to the day after the President was elected, he called and asked me if I would come to Washington and work for the administration. He indicated that I would work at either OMB, the White House, or some other high-level management position upon which we could mutually agree. Frankly, I had to think about it a couple of days. I called him back about two days later and gave him the answer that I would come. He then said he wanted me to go up immediately and begin working on the transition. I told him I'd have to let him know about that.

About a week later, Bert Lance called and asked me if I would come up and work for him in Washington. I told him about my conversation with the President and suggested that they talk about it. I'd do whatever the President felt would be the best for him. Right after Thanksgiving, I talked to the President again, and he reiterated his request that I come up to Washington and get involved in the transition. He particularly wanted my assessment of the budget plans that were being developed. He also wanted me involved in the reorganization plans that were being developed by the budget transition team and the reorganization transition team.

In all candor, I was not well received by the leaders of the transition team when I got to Washington. Obviously I was a threat. It was an unknown situation. It was difficult trying to find out what was happening. Even Mr. [Jack H.] Watson was so busy doing so many other things that he had a very hard time greeting an emissary from President-elect [Jimmy] Carter. I finally

did get to see him, and when it became clear that I was the President's man up here, things began to happen a little more freely. That's important, because eventually Bert Lance looked to me to devise the structure for the reorganization that he would recommend to the President.

At that time there was no decision on the evaluations about the budget plans and the staffing requirements for OMB. When I came to Washington, I actually developed and gained that portfolio from the President and from Bert Lance. The President had indicated that he would like to balance the budget by 1981 and to help determine where the reorganization effort would be located. Should it be a separate activity reporting directly to the President? Or should it be located in an agency like the Office of Management and Budget?

During the first week of the transition period, we worked out a deal with HEW [Health, Education, and Welfare] offices. Then we moved over to the OMB and began to work out of the new Executive Office Building. During that period of time, we determined that if we were to be successful with the reorganization effort, we should house it in OMB, because OMB had the clout to make things happen in the government. OMB also had the institutional memory to help us identify functions that could be abolished or transferred. They could also help us through the budget process. In making reorganization transfers, we thought we could coordinate it better if we worked it as an integral part of OMB. I talked to Bert Lance. He then talked to the President, and we were able to persuade the President to locate the reorganization activity in the Office of Management and Budget. Then we had to decide how we would structure that.

We also had to decide what we would do with the two transition people who had headed those efforts. Mr. Lance basically looked to me to do the day-to-day managing in OMB. I felt that if we were going to have several massive undertakings in OMB—such as balancing the budget, reducing paper work, reducing the regulatory burden, and reorganizing the government—we really couldn't do it with the structure that the existing OMB had. Therefore, we decided to establish the two Executive Associate Director positions in OMB. We put someone in charge of the day-to-day monitoring and managing of the budget activities. We had another individual responsible for managing the reorganization and management responsibilities of OMB. My job was to do the overall managing of the agency, relate to the White House, and help Mr. Lance in some of his more visible activities, such as dealing with the Congress, and also dealing with the President. Mr. Lance's role was basically to be an emissary of the President, and to help him in making his policy decisions through the use of his good judgment and common sense. He was looking to me for the day-to-day management of the agency.

Of course, we did set about to establish the other normal appointive positions in OMB—what you probably know as the Associate Directors at OMB. We also determined that the Office of Management and Budget needed a more active and visible role in dealing with the Congress because of the reorganization. We decided that our Congressional Relations Office could no longer be just a passive information office. It could not just answer congressional questions and deal with routine requests from the Congress. We felt that it had to be an active, aggressive office that would help us sell the budget proposals and the reorganization proposals.

I particularly wanted Mr. Harris to be here today because the OMB's relations with the Congress took on an entirely different role in the Carter administration than had occurred under any

previous administration. Mr. Harris can go into that in greater detail later. We made those kinds of organizational decisions right off the bat during the transition period. We decided on the approach, the direction that OMB would take, in addition to its normal functions of budget development, budget execution, the legislative clearance activities, and the general management role that OMB has traditionally performed.

I was disappointed in the results of some of our activities, particularly in the management area. I didn't feel that we did as good a job in establishing overall management policies and insuring that the agencies adhered to those policies as I had hoped we would. It's important for you to understand my philosophy about OMB. I believe in an active, aggressive OMB. I do not equate that with a highly visible, out-on-the-limb OMB. But I do think that the Office of Management and Budget has to serve as the mainspring of a watch. It's the agency that makes the government tick on a day-to-day basis. It's the link between the President or the White House and the rest of the government. It's the agency that should translate for the agencies what the President has decided, and then be there on a day-to-day basis to see that agencies do what the President has decided to do.

OMB is not a "green eyeshade" agency. It makes policy development in some instances. It's a very professional organization, and I believe it should be. It has the institutional memory to know where the pitfalls are in any kind of policy proposal. It also knows where the roadblocks might be both in the agencies and on the Hill. If properly used, it's an invaluable resource for a President.

To sum up my philosophy, OMB is a vital policy organization in the Executive Office of the President, and contains the professionals a President needs to help him run the government. I don't think OMB is the agency that takes off on its own or decides its own policies, but it's there to implement the President's policies and see that the agencies execute them in accordance with the President's desires. Of course, you run some risks there. OMB has been accused of being politicized, and I'll be glad to discuss that with you. I don't think OMB is politicized. I think it's there to serve Presidents. When it stops serving Presidents, then Presidents will turn to some other entity to serve them.

In our formative stages of the administration, we had a number of objectives that OMB was responsible for in addition to the budget, the ultimate goal of trying to balance the budget, and the reorganization effort. We were also responsible for trying to reduce paperwork in the government, for instituting regulatory reform efforts in the government, and, in general, trying to oversee the government's activities to try to make the government less intrusive in the lives of individuals.

We made some significant progress in all of these areas. We did undertake paperwork reduction and regulatory reform. We initiated this through requirements to reduce paperwork through orders from OMB. The President signed an Executive Order, 12044, that was the first attempt to really get a handle on the issuance of regulations. We later developed that into a revised Executive Order in about 1979, and then into what's known as the Paperwork Act that was passed in 1980. So there was constant, consistent effort at trying to reduce paperwork and reduce the regulatory burden on the American people that occurred throughout the four years of the

Carter administration.

As a footnote, I don't think that the current administration could have done what it has done without that groundwork that we laid in the Carter administration. The overriding issue in the Carter administration was the budgetary and economic policy. It took on a couple of different appearances during the administration. When Carter first took office, the big effort that was undertaken in terms of economic policy in the initial months of the administration was the stimulus package that was proposed to the Congress in the form of the budget amendment in the spring of 1977. That program grew out of a meeting at either the Pond House, or a combination of meetings at the Pond House and the meeting at St. Simons, in which the administration leaders decided that we needed to stimulate the economy. We needed to get it going again. They came out with the public service job program, the tax rebate program, and the \$50 rebate to stimulate the economy. That was probably one of the maybe two major stumbling blocks for the administration. That was one of probably two decisions that were later to cause the administration some of its greatest problems.

The actual effect of that program was to generate inflation, which became double-digit and became the basis of our real economic problems in the last two and a half years of the administration. We also did some other things during those first few months that helped. I don't think the budget stimulus program was the only one. For example, the Farm Bill that was passed in 1977 was highly inflationary. A combination of policies stimulated the inflationary spiral that began in late 1977 and actually started showing up in 1978.

Let me tell you a little bit about how we worked the first few months of the administration. We had to put out an amended budget. The [Gerald] Ford budget went up in January, and we had about thirty to forty-five days to present an amended budget to the Congress, which we did. It contained the budget stimulus program, and it contained adjustments in the housing, health, and welfare programs. During that period of time, I tried to continue to organize the department, to hire people, to make sure we had all of our Associate Director jobs filled, and to make sure that all of the other scheduled non-career executive appointments were filled. We had to hire a public affairs director. We had to hire people in our Congressional Relations Office because we had changed the nature and focus of that office. I spent most of my time during those first few months trying to get the office organized and off the ground. Mr. Lance worked on the amended budget. We got right into the spring review process, which I participated in. As we moved into the summer months, the matters developed that later resulted in Mr. Lance leaving the government.

During that period of time, I was trying to finish getting the office organized and also to lay the foundation for our fiscal 1979 budget. I have to be quite candid with you. There was a great deal of chaos and confusion in the Office of Management and Budget during that summer. We were trying to get our first reorganization plan finished. It was a reorganization of the executive office of the President. Needless to say, there were tremendous turf battles that took place in that reorganization. I ended up having to mediate many of those. There were questions, for example, about how big the National Security Council staff ought to be. There were questions about the role of the Domestic Policy staff vis-à-vis OMB. We had just a tremendous amount of turf problems that developed. In addition to that, we had made a pledge to cut down the size of the

White House staff, which was an agonizing matter. While those don't seem to be very important from an academic point of view, let me tell you that we spent more time on those kinds of issues than on some major decisions about what housing policy was going to be.

**Rhoads:** We do in universities, too.

**McIntyre:** Having worked in a university for a couple of years, I know.

**Young:** The stakes aren't as high, either.

**McIntyre:** We had the amended 1978 budget, the development of the 1979 budget, trying to get the reorganization plans off the ground, and particularly trying to do the Executive Office reorganization, all during the early part of the administration. That summer, in early June, Lance and I hit the press. I remember it well. That began a period of great unsettlement in OMB. When Bert did leave the government, I became the acting director. I got a letter from the President on a Saturday morning telling me that I was going to be the acting director. And it was in that capacity that I had to develop the fiscal 1979 budget.

In all honesty, I did not let my acting status affect my budgetary recommendations to the President. But I must also confess to you that it was a most uncomfortable position to be in. I was serving in an active capacity, putting together the first budget of the Carter administration, and having to go up against people who had more or less established their own turf because of the weakness that had developed in OMB because of the Lance controversy. It took me at least a year after I was appointed director to reestablish and to recapture some of the influence that OMB had, or should have had, in the formulation of policy after the Lance matter. Other people had moved into the vacuum that had been created there.

I couldn't have done it without my good relationship with the President. If I had not had a good, strong, personal relationship with the President, I doubt that OMB would have ever recovered from that vacuum during those four years. That's not intended to be a criticism of anyone; it's basically stated as a fact. I had to spend a lot of my time fighting turf battles during the first part of 1978, particularly over matters that related to reorganization. People in the administration had different ideas about what was in the best interest of the administration. That's normal.

We had people all over the spectrum of philosophy and thought about government, and we had some who didn't have any thought about government who were involved in the policy-making process. It was much more difficult for us to reach a consensus as to what the President should do than it is for the current administration. The Reagan team has a much greater degree of consensus as to what they're all about. We had people all over the political spectrum. Bert had decided that he really didn't need an economic advisor, so we did not have a chief economist in OMB during his tenure.

Not while I was acting, but after I became Director, I decided we did need an economic advisor, and that the economy was probably the most significant domestic issue for the President. So I went out and I found Van Ooms, who was then with the Senate Budget Committee. Van was absolutely invaluable to me in trying to develop economic policies that we thought were in the

best interests of the country as well as in the best interests of the administration. You have to recognize that Democratic administrations do have different philosophies about what's good for the economy than Republican administrations have. We had to revise some of our thinking about those old standard Democratic economic philosophies. Van was extremely helpful to me in evaluating the alternatives and the impact they would have on the budget.

I'll let Van talk some more about the economic situations that we had to deal with. My theory was that the President should balance the budget in 1979, which would have meant the fiscal 1980 budget. And then he would have had more flexibility in 1981. We could not sell the President on that because some of the other people in the administration felt that there was no way we could send a balanced budget up to the Congress in 1978, which is when you send up the fiscal 1980 budget. 1978 was an election year for the Congress. They just did not feel that we could take the heat for the cuts that would have been required in that budget. That was the year that we came up with the \$30 billion deficit figure. We set the deficit at \$30 billion, which some people felt was bad from a policy point of view. Strictly speaking from an economic point of view, it probably was a bad deal.

**Ooms:** I was just going to mention the timing. The budget actually didn't come out, of course, until the January after the '78 elections. What's important here is that everyone knows that the budget begins to take shape in the fall, before the elections. All of the interest groups picked up what was going on. Jim is right that there would have been a firestorm prior to the 1978 elections had those kinds of extensive cuts been in the works.

**Jones:** That's one everybody's talking about.

**Ooms:** Our '79, '80, and '81 budgets concentrated on the problem of inflation. We had a difficult time trying to grapple with inflation on the one hand while trying to remain true to Democratic Party principles and philosophies on the other hand. That was a pretty tough row to hoe. The debate that took place over those three years was one of the important characterizations of the Carter Presidency. That's where all of the various viewpoints, the different attitudes about what the people in the country wanted, and differing views about what was in the best interest of the President really became evident.

The staff may have made the President's job in deciding these issues more difficult than it should have been. There was no consistent Presidential view on the general problem of inflation, and we all tried to get our own points of view across. We did not step back and try to define a more comprehensive point of view and serve the President's interests as a staff should. In this connection, another historic event was when the President went before the Democratic Party in Washington and made his speech about the need for Democrats to support the concept of fiscal restraint. I thought it was an important speech. It was not very well received by the members of the party. I don't think that they ever really understood what the President was saying.

**Mosher:** When was that thing?

**Ooms:** I've forgotten exactly. Remember it was at the Washington Hilton one evening. The President came up and made his famous speech.

**Harris:** You and I were the only ones who clapped.

**Ooms:** I think so.

**Harris:** I think it was in the spring, sometime in the spring/summer of '79, but I'm not sure. Spring/summer of 1979 seems like the right time. I believe it was in 1979 when he began to recognize the implications of not dealing with the fiscal side. The economy was certainly beginning to show signs of failure.

**Mosher:** Was this in anticipation of the renomination campaign?

**Harris:** I would say no. I think it was just a statement of the facts as he saw them. I don't think it helped at all in the nomination campaign. If anything, I think it probably hurt him strategically with the people who supported [Edward] Kennedy, who were principally involved with the interest groups.

**McIntyre:** It was one more piece of evidence that convinced Kennedy to run. Let me make a comment about the four processes in the Executive Office. I know you're all familiar with them, but I understand we also want to talk about those. There were basically four processes that were used in the Executive Office to develop policy. There was the budget process. There was the domestic policy process, which really never worked well in our administration. We had only two or three policies come out of what was called the Domestic Policy process. The National Security Council's policy process and reorganization were a separate process in the Carter administration, which sent its own proposals directly to the President. Those were the processes that we used to decide policy.

By far, the two dominant processes were the budget process and the National Security Council process. I played a role in both of those. In fact, I think President Carter has been one of the few Presidents who has ever let the budget office play a role in the defense and foreign policy processes. I had some influence with the President on those issues, and I personally participated in the domestic and the foreign policy processes. I probably had more influence in that than I did in some of the domestic processes because it was something I was interested in. I got kind of tired of talking about CETA [Comprehensive Employment and Training Program] job programs every three months, particularly when I couldn't find anybody who was really sympathetic to the programs I felt that we ought to be pushing. So I did play an important role in some of the defense and international affairs policies. I'll be glad to talk about those if you want to.

I think that President Carter served as President during a transition period. I think that period began actually with the last year of President Ford's Presidency. And I think we began to see a definite shift in the attitude of the country, in what it wanted from government, in what it expected from government, and in their skepticism about government. President Carter recognized that because that's basically what he campaigned on in '75 and '76. That attitude continued to grow during the Carter Presidency, culminating in electing President [Ronald] Reagan.



I do think Carter was President during a transition period. I think it served many purposes. President Carter did restore faith and confidence in the government, which had been lost as a result of Watergate issues. President Carter did establish—in the domestic policy area at least—the concept of fiscal restraint. We initiated the first reconciliation bill in history in calendar year 1980. We were able to propose a balanced budget in the spring of 1980, although it was short lived because of economic circumstances, because of the political circumstances in the Congress, and because of the election that was occurring in November.

We did have a very robust economy during those four years, although inflation was a serious problem, as it continues to be. In terms of economic growth, there were added about eight million jobs to the labor force during that period of time, which was one of the most robust growths in new jobs in our history. We had a fairly strong economy, except for that recession in the second quarter of 1980. The health of our economy was greatly overshadowed by the inflation problems that we had during the last three years of the administration and by the high interest rates that developed during our last year through the Fed's monetary policies.

We did make some inroads in trying to cut down on the growth of government. We did establish a new civil service system that tried to recognize merit for purposes of promotion and pay increases. I'll be glad to talk about that. I don't think it's worked as well as we had envisioned that it would work. In fact, there have been some real problems with it. But at least we had the concept, which is a good concept of government. Had we been there, hopefully it would have worked. We would have had a vested interest in seeing that it worked.

We made some real inroads in bureaucratic problems and environmental problems. We made some inroads also in foreign policy problems, such as the strengthening of NATO [North Atlantic Treaty Organization], which was in really bad shape when President Carter took office. I think that he did strengthen it. Our commitment to a defense policy that emphasized NATO was the right policy. The Camp David peace process was a significant achievement. In the last year and a half of the administration, we did emphasize dealing with our southern neighbors, the Caribbean and Latin American countries, on a basis of equality. That was an important achievement in foreign policy. In the foreign policy area, our renewed commitment to defense, to a realistic defense budget, to a defense policy protecting the Persian Gulf, and to trying to do something about the vulnerability of our strategic weapons systems were significant accomplishments of the Carter administration.

**Ooms:** Let me indicate what some major issues and problems were. Jim has mentioned the fact that there wasn't any chief economist at OMB during the first two years of the administration. During that time, the Office of the Chief Economist was in large part disbanded. Parts of it were spun off to the fiscal analysis branch. In the end it was really skeletal. It had never been large. I should say that at the end of the Ford administration, it had been perhaps a staff of seven or eight professional economists with a research assistant. It was about half that size when I took over, and it remained very small.

It remained a small fire-fighting operation that worked on an ad hoc basis with respect to most economic policy issues. The autonomous part of the economic staff operation largely had to do with economic forecasting, the economic assumptions for the budget and economic policy, and

then for coordinating the staff work for the Director with respect to meetings of the economic policy group, through which most economic issues were filtered. Too many of these issues were filtered through the President rather than sending him the final copy.

That there wasn't any chief economist in OMB in the first two years of the administration is an interesting fact in its own right because it illustrates a problem that was endemic to this and to the current administration. It's likely to be around for a long time. The interrelationships going between the economy and the budget are really well understood by only a very small group of people. There's a small group of professional economists who work on these issues. There are very few people in there and a very small number of people in Congress and in any administration who work on them.

It was not until the inflationary environment became so intensely difficult at the end of the administration that the full significance of those relationships and the problems they caused for budgeting began to be more widely recognized within the administration. I won't now go into my perceptions of the first couple of years. I was on the Senate Budget Committee as chief economist during that period. I watched the rebate and fiscal stimulus package discussion from a rather different perspective. I watched the energy program as it was proposed and then in part enacted by the Congress from that rather different perspective.

Let me indicate what the major themes having to do with the economy and the budget were during this period. First of all, the Carter budgets at the end of the administration publicly were clearly perceived as being out of control. The administration no longer had control over that and no longer had control over economic policy. The reasons for that were the indexing and over-indexing of large parts of the budget to inflation and the peculiarly large importance that interest outlays began to play in the budget in '79 and '80, which is now continued into the '81-'82 budgets.

The sharp reversal in the defense budget was not widely recognized. The rundown of the defense budget in the early '70's had in fact been financing a large part of the budget, preventing very large deficits from appearing. This had to be turned around. This was not widely recognized. The demographics of the budget simply put enormous pressures on the entitlement programs, in particular Social Security and the medical programs. The demographic changes were quite insufficiently recognized. You had a whole set of forces that were not peculiar to the Carter administration.

The Carter administration was a transition period in which these forces for the first time began to impact the budget very severely. There was then a very slow, incomplete adjustment process, which is still going on. Sitting in the position I do now as chief economist for the House Budget Committee, it is with a very strong concern that I watch what is happening to Mr. [David] Stockman as he comes up to the Hill every two or three months with a new set of estimates. The programs are out of control. It's exactly what we went through in '79 and '80.

Why is this? First of all, there's a very fundamental problem in political economy here that is not characteristic only of the U. S. You have in all industrial countries at the moment a severe problem of a conflict between inflation and growth policies. The European countries in the last

couple of years—for the first time in the post-war period—are in even worse shape than we are with respect to many of those. Many of you have been following reports on unemployment in Belgium and France. Other countries in the European community are heavily impacted by unemployment.

There's no question in my mind that President Carter was destroyed by inflation in a number of its different manifestations, both through the budget and directly at the supermarket as well as in its peculiar relation to the energy crisis at the gas pumps. For many of the same reasons that we've had the super-inflationary problem, the other industrial countries have had a similar problem. The problem of stagflation is endemic at the moment to industrial economies. The political problem is that no one knows how to solve that problem without giving up too much on either the inflation side or the growth side.

The problem that makes it even more acute in the United States is that there's less awareness in this country than in other countries of the painfulness of that trade-off and of the severity of the problem. Carter was rather badly treated when he tried to talk about austerity. He was criticized by the press for his speech made after he came down from the summer exercise at Camp David in which he spoke about economic malaise. Whatever deficiencies that presentation may have had with respect to the perception of the President as an effective leader, it was fairly straight talk about the problem. Carter lost an election to a candidate who ran on a "no pain, jellybeans-for-everybody" kind of approach to the world. As far as I know, President Reagan is the only leader of an industrial country at the moment who's attempting to sell a way out of stagflation without pain. What the political implications of that will be for the future is something we will not be able to see for some time.

It is to the credit of many of the European leaders at this point that they're talking about austerity. [Margaret] Thatcher said from the beginning that it was going to be tough. The question whether you believe it's going to work or not is a different issue. Some very tough talk about stagflation is necessary for the political will to do something about it. The Carter administration was on the right track, but somehow never managed to find the right approach to that problem. The President himself, for various reasons, did not generate the perception that he was a strong enough leader to be able to make an austerity approach stick. For many of the reasons that Jim has outlined, the divergence of viewpoints within the administration itself on the values of austerity—once you got down to the nitty-gritty of real programs—was wide enough that you could never put through a real austerity program.

**McIntyre:** Would it be fair to say that there was always a sympathetic ear somewhere in the administration who would say, "Well, we really don't mean to be all that tough on these programs"?

**Ooms:** I don't think there's any question but that that was the case.

**McIntyre:** I think we were undermined, and that undermined the President's outward impression of being serious about these anti-inflation measures.

**Jones:** Whatever he believed, there was always a view that was contrary to what Van Ooms has

expressed here.

**Ooms:** Yes, and it came up in specific form. It's very easy to write a speech about fiscal restraint and austerity, but when it comes into specific form with a specific program, often a program in which the President—or at least a large number of his advisors—believe in strongly, the politics are tough. There was no pervasive ideology—as there is in the current administration—that we were going to cut and cut deeply. The targets there were held such that each decision was viewed still very much in isolation.

We would go to the President two, three, or four times a year and lay it out: “Unless you're prepared to take some very tough decisions, you can only cut this much.” The decisions then began to come up individually. You got down to the nitty-gritty of specific housing programs, specific jobs programs, specific issues with respect to state and local finance, revenue sharing, or other grants programs. In each case, it was very difficult to take that particular decision. It didn't seem to cost that much at the time, but when you roll them all together at the end of four years, it meant that there had not been a commitment to the kind of fiscal austerity that one would have believed would result from the general approach that was outlined at the beginning of the term.

Having said that, however, I think one wants to be very careful because, again, there's a misperception here. Go back and look at the discretionary part of the budget in real terms. If you go back and look at discretionary programs, and look at the effect of inflation on those, you will find that the growth in the discretionary budget was severely cut back. In many areas, the actual real program levels were cut back. A problem that carries on in the current administration was that the size and the impact of inflation, and the momentum caused by over-indexing of the entitlement programs and the defense budget were so great that even cutting back rather severely in the discretionary areas was not enough to keep the budget from expanding rapidly.

Then you add on to that the explosion in interest payments, and you end up with a budget which certainly appears to be out of control. But if you go back and actually look at the parts that were in control—in the sense that the President could control them without having to go up and put Social Security reform through Congress—there really was not uncontrolled growth. In fact, cuts in discretionary programs were paying for everything else.

One looks at some of the decisions that are currently being taken—for instance, the developments of the physical infrastructure of the country, which are highways, ports, and railways. They were postponed back in '78 and postponed in '79. They're now being postponed in '80 and '81 because those are the things that the Executive can actually control. And when you try and get beyond those—as Mr. Stockman has found out, even with an enormous political cohesion and some sense of purpose about this—the actual amount that got taken out of the entitlement programs and the mandatories in the '82 budget by the new administration has been small enough that they are now having to go back to the well and to the discretionary side of the budget. There's an endemic problem here, with which the Carter administration was the first to get hit severely, and which the current administration is experiencing with very much the same kinds of effects.

**McIntyre:** There were two other characterizations about this budget seemingly out of control.

During the first two years, we actually had shortfalls in the budget, primarily because of defense spending. We were building up a big wave of spending that could hit us during the last two years in the administration and that actually caused us to underestimate. We compensated too much in trying to follow the agencies that were overestimating their expenditures and in actually cutting back on the outlay on them. We overcompensated too much.

The Defense Department began to spend all of this money that had been building up over a period of years. It hit us in the last two years. The budgets had to go up and increase our estimates in those two years. That added to this sense of being out of control. But as the man said, if you look at our budgets, they were fairly tight in those areas. They were very tight in those areas over which we had control. They were basically meeting inflation and providing for increased programs in the nondiscretionary areas.

**Ooms:** They were quite tight. Given our proposals and economic assumptions, it was programmed to be tight. What then happened, of course, was that we were overtaken by economic events. We had an inflation forecast for the 1980 budget that at the time did not appear unrealistic. This is unlike the current administration where you've got a set of economic assumptions that are outside the range of virtually all private forecasters. Charlie Schultze had been burned back in the [Lyndon] Johnson administration for having numbers that were not perceived to be realistic. He had made a determination he was never going to be burned that way again. And although Presidents' budgets are always optimistic with respect to their economic assumptions, I don't think we ever put out a set that anybody in the private sector said was beyond the pale.

The inflation problem due to the energy crisis was simply not foreseen at that time. We were putting the '80 budget together as Iran began to come unglued. By the time we had to put it to bed, it was still too early to assume that you were going to have the kind of energy shock we had in '79. We were forecasting an inflation rate in 1979 on the order of 7.5 percent of the CPI [Consumer Price Index]. We ended up with something up in the double digits. That increase was not entirely due to energy, but a large part of it was energy.

Certain aspects of the economic assumptions turned out to be very wrong. The real growth forecasts were pretty good. The unemployment forecasts were better than they had any right to be. But the inflation forecasts tended to be way off. The interest rate forecast, which was closely connected to inflation, tended to be way off. We had an explosion of spending for entitlement programs and interest that drove the budget deficit from the \$30 billion range up to the \$60 billion range.

**Jones:** Van, for the FY '81, didn't CBO [Congressional Budget Office] and some of the private analysts come in quite differently?

**Ooms:** It varied from time to time. The original forecasts for the 1981 budget that the administration presented had a recession. Something that's not well recognized—outside of the small coterie of economists who work on the budget—is that the major determinants of spending with respect to the economic assumptions are made in the year prior to that in which you are now. That's partly because the current calendar year only contains three quarters of the fiscal

year. It's more due to the fact that there are lags in the entitlement programs of half a year to three quarters of a year, so that what really determine inflationary costs on the '81 budget are the 1980 assumptions.

Interestingly enough, in January, we had forecast a recession for 1980 when nobody else had. We were more pessimistic at that time. We then turned around. The balanced budget revision of the budget in March and April took place at a time when the economy was looking a lot stronger than it had been at the turn of the year, which was one of the reasons—though certainly not the major one—that we went back to the drawing boards with the budget. At that time, we moved off the recession forecast. Unfortunately, it later turned out that we had been closer the first time than the second time.

**Jones:** That ended up having important political implications.

**Ooms:** That's right. It was then looked back upon as a case of so-called flip-flop.

**McIntyre:** Well, it was also a case of the President engineering, quote unquote, a recession in an election year. I don't think he consciously engineered that recession. He would have preferred not to have had it happen.

**Ooms:** Well, there wasn't much attention paid to the fact that we were talking also about fiscal policy a year off. Unless you're an economist who believes that anticipation effects are enormously strong, it's not easy to see how you can engineer a 1980 recession by trying to restrain the 1981 budget. We were looking well ahead, trying to give some confidence to the markets by facing the same kind of problem that the current administration has faced over the last several months.

**Jones:** Most columnists don't turn out to be economists.

**Ooms:** With the advent of and discussion about the Congressional budget process, the amount of reasonably informed discussion of some of these relationships in the press has increased rather dramatically over the last couple of years.

**McIntyre:** Reasonable people, who even share economic assumptions, can significantly differ on the estimates given. You can have differences based on how you calculate growth and the number of beneficiaries in a program. You can have all sorts of variables in the agricultural programs that will lead you to come out with different estimates on spending. In the Defense Department, there's a tremendous amount of latitude in which any reasonable person would differ about how much the Defense Department would spend, given a certain level of appropriation. This depends on how much of that is for long-lead items like ships, and how much of it is for procurement of arms and ammunition. I don't think it's necessarily a discredit to anybody if they have a different set of estimates. The question is the reasonableness of the estimates.

I think at some point the Federal government is going to have to account for its budget in different ways, because so much emphasis is given to how correct you are on your outlay

estimates that your credibility is shot. The current administration is having a very difficult time right now with its credibility. Unless they find better ways to account for the budget, any administration in the foreseeable future is going to have a very difficult credibility problem when it comes to estimating outlays. It just is a problem. You have so many people who are now called budget experts that there's going to be all kinds of second-guessing on outlays.

**Ooms:** The magnitude of the results of this is not widely understood. The OMB staff did a study after the 1980 budget closed, and we had the final number in it on trying to break down what had happened to outlays. Outlays ended up in the 1980 budget \$48 billion above the original January proposal of 1979. Of that \$48 billion, well over half—and by a not unreasonable definition of what are economic as opposed to policy differences—more like two-thirds of that was due to automatic adjustments in program levels, either from much higher interest rates or from a much higher inflation rate than had been forecast. Only about a third was genuinely policy in the sense that program levels were actually expanded in order to meet certain contingencies, most of which were in the defense budget.

In the domestic budget as a whole, policy changes accounted for almost none of that \$48 billion. That's probably a little too strong. I'd have to go back and check the exact number. But only a miniscule part of that \$48 billion—certainly less than \$5 billion—was due to policy changes in the domestic program area which were deliberately taken by the administration, as opposed to changes responding to the difference in economic performance or the very major revision in the defense budget that took place at that time.

There has not been, to my knowledge, as careful a study done of the 1981 budget yet, because we still don't know exactly where we came out. I've had my staff trying to get a preliminary look at it, and I come out with very much the same type of relationship—something on the order of two-thirds. It's due to higher inflation rates than were forecast. The amount of changes due to policy, again, is relatively small. Part of that is due to the changes in the defense budget that are driven by economic assumptions, but which are in some sense discretionary.

Fuel costs exploded, so that drove up the defense budget enormously in both the '80 and '81 budgets. And then, of course, the President had somewhat unwisely committed himself to a defense policy that was based upon real growth numbers in defense. Rather than discuss the program, you talk about how much money is being put out after adjusting for inflation. Every time the inflation rate went up, DOD [the Department of Defense] would come back for an adjustment of the defense budget in order to cover themselves for higher inflation. It was purely a numbers argument. They would occasionally get into the details of the program. Jim was certainly closer to those programmatic discussions in the defense area than I was, but basically we ended up indexing a major part of the budget, and the current administration has done the same.

Lest I give the notion that the economic forecasting and the assumptions of this administration were just terrific, and we were overtaken only by bad luck—and I think there's an element of that—but in all candor, one would have to make a couple of other observations. Jim has already referred to one. At the beginning of the administration, back in '76-'77, the economic policy-makers in the administration came in very much with a rather conventional 1950's-1960's view

of the way the economy worked and of the way in which inflation worked. Only that kind of view could have given rise to a relatively conventional stimulus package of a tax rebate and some jobs programs. As it turned out, what had happened in the early 1970's was that the economy had become much more geared to inflation. The Carter administration was the first administration in which anticipated inflation became a major economic policy problem. In the [Richard] Nixon, Ford, and even Johnson administrations, we were dealing with inflationary problems and the budgetary problems resulting from it. Not very much of the budget was indexed, so it didn't have that much effect on the budget.

Secondly, I think it was regarded both by policy-makers and by the public—at times we have to put that in reverse order—as being something that was very temporary. Inflation would go away. At the beginning of the Carter administration in 1975 and 1976, you had some very good inflation numbers. They were largely good because food prices were weak and real energy prices were falling, but the underlying rate of inflation was not coming down as rapidly. There was still a lot of optimism that it would come down.

What turned out to be the case was that the economy was much more sensitive to anticipations of inflation. The resistance of the inflationary momentum in the economy—i.e. wage and price setting mechanisms and contracts—was much more resistant to a rapid decline in the inflation rate than was expected at the beginning of the administration. So at the end of the administration, the major economic policy-makers had a very different view of the inflationary process. Very different may be a bit too strong, but a substantially revised view of the inflationary process than they had back in 1977. They were focusing much more on the necessity for fiscal restraint than was the case back in 1977. I would disagree with Jim a little bit at the margin if what he meant was that the stimulus package was at the heart of the inflationary problem. It clearly didn't help.

In retrospect, I think one would have to run a tighter fiscal and especially tighter margin monetary policy on the average over the four years than in fact happened. I don't think the stimulus package itself had a major effect on that. The problem was it was just one of a whole load of things that you didn't need at that point if you were trying to reduce inflation. You didn't need that. You certainly didn't need the Farm Bill, as Jim has mentioned. We discussed administrative reforms in [James] Davis-[Robert] Bacon [1931 Act], but as Jim well knows, it never got to the President, much less past the President. We're still discussing cargo preference, which fortunately the Congress didn't pass. There was not enough recognition of the sensitivity of the inflationary process to these changes.

Something that was not characteristic of the administration's economic policy-makers alone—because it was shared by virtually all other forecasters in the private sector who all turned out to be wrong—was the major inflationary impact caused by the productivity collapse in '79 and '80. No one anticipated this. Nobody to this day knows what the source of it was. But there was a major change in the rate of productivity growth, which meant two things: first of all, that the inflationary pressures were much higher; secondly, the ceiling level of potential GNP [Gross National Product]—and related to that the unemployment rate—to which the economy could be reasonably pushed without increasing inflationary expectations turned down.

Economic capacity was much more limited than either administration economists or private



economists thought back in '76, and '77, and early '78. As Jim says, you suddenly got a rapid spurt of growth at the end of '77, a sharp drop in the unemployment rate, which was even larger than one would have expected from growth, a fairly expansionary monetary policy, and by early '78 you had signs before the oil price fiasco of '79 of a re-acceleration of inflation. This was certainly related in part to the fact that there had been a misjudgment by virtually all economists about how much room there was in which fiscal monetary policy could operate without increasing inflation.

**McIntyre:** Let me ask Mr. Harris to make some comments about our dealings with the Congress. Some facts are often overlooked by political commentators, and perhaps even historians, about the importance of the Congress and on the successes and failures of the Carter administration. Let me just make a couple of introductory remarks. First of all, Carter came to town with an attitude of being a tough, single-minded former Governor, one who went up against a reluctant legislature in Georgia and rammed his programs through. And he was expected to have that same approach with the Congress.

With his first few encounters with the Congress, he did not live up to that reputation, for various and sundry reasons. Therein began a period of tearing down the myth of his being a single-minded individual, tough in his dealings with a legislative body. We had some real problems with respect to the energy program that was announced in the spring of the year. The withdrawal of the \$50 rebate was another. These did not champion the myth about being a very tough, single-minded individual. There were many, many more during those first few months of the administration that let the Congress get the attitude that the President was not as strong as it had been led to believe that he would be.

Secondly, there was a Democratic Congress at the time. You would think that with a Democratic President we should have had no problems getting the programs passed, but, in fact, we had some Democratic members in the Congress who were all over the lot. There was a wide spectrum of belief among the Democrats as to what was good economic policy, what was good energy policy. That was reflected in the big debate on and final passage of the [Hubert] Humphrey-[Augustus] Hawkins bill, which is one of the most inconsistent pieces of legislation you could ever read. But it was passed by the Congress, signed by the President, and some people really believed that its goals could be lived up to.

Another example of some of the difficulties that were evident in trying to reconcile the differences between the Democratic leadership in the Congress and the administration was in trying to deal with our energy problems. There was a whole spectrum of opinions on the role of government. Should the government be interventionist in trying to stimulate energy conservation through tax incentives, through grants, and through other types of governmental programs? What was the role of the government in terms of controlling oil and gas prices? As you know, Carter took a historical step as a Democratic President in phasing out the control of the oil and gas prices. He ran into serious problems with the Congress dealing with people like Congressman Toby [Anthony John] Moffett, Congressman Richard Ottinger, people like that who were very much opposed to oil and gas price decontrol. They were Democrats, and that put him at loggerheads with some of the people in his party.

Finally, the Congress was not used to budgetary restraint or to having a Democratic President coming up there and restraining Democrats whose role in life had basically been to take an expanding pie and spend it, and to enlarge the role of government in the lives of the American people. Carter said, “We can’t do that any more. We’ve got to restrain government. We’ve got to start deciding on and making some priorities on our spending. We’ve got to control regulations and we’ve got to let the regulators know they work for the President.”

I’ll never forget the meeting we had with people who worked for the President. The President of the United States had appointed them. They came in and told him that he couldn’t control what they did. I’ll never forget that meeting. It resulted in the creation of the Regulatory Council and Mr. [Peter] Petkas’ job as the director of that Council. But it was to be an astonishing point of view that people who had been appointed by the President, who ostensibly worked for the President—if not in fact, at least in theory—telling him that he couldn’t control their actions. Well, those were the kinds of problems we ran into in dealing with the Congress.

We envisioned the role of OMB initially in the administration as having a large congressional role. We brought Mr. Harris up from Atlanta, where he had had some extensive experience in dealing with the state legislature, to head up this office. And I have to say that—like Van Ooms—he did an outstanding job in developing relationships with the Congress, which was a reluctant bridegroom in this marriage. Congress didn’t like OMB. OMB had always been an obstacle to the Congress, and he had quite a challenge in developing a relationship with the Congress as an OMB representative. But I think he did an outstanding job.

**Harris:** Thank you, Jim, and thank you to the Miller Center for inviting us. Thank you for the work you’re doing in trying to gather the recorded thoughts of people about an interesting period of time. I especially appreciate the opportunity because, first of all, I’m not likely to tell anybody else what I think, nor am I likely to write a book or, for that matter, a magazine article. It’s just not my nature. I’m glad you asked, and I’ll be as candid as I can and will tell you the truth as I saw it and will agree on most things Jim and Van said and disagree with a few. First I want to make it clear that I am not an economist. I am not a lawyer. I am not an academician.

**Jones:** You’re getting better all the time.

**Harris:** I’m a practicing businessman who left Atlanta with some sort of a idea that if you’re going to send the President to Washington, those who have felt discriminated against by being southerners should go forward and do the best they can to offer their services not only to him, but to the country, and to do the best job that they can. And so I went forward with that simplistic but rather sincere notion.

I knew the President first when he was Governor. I represented the largest bank in the state of Georgia at that time as a branch manager, and subsequently became head of government relations with that bank. I had known Jody Powell from the early ’60’s when he and I coached football together—when I was at Georgia Tech—and we had been friends for a long time.

I found out from Jody Powell over Christmas in 1972 that Governor Carter was going to run for the Presidency. He explained why it was he endorsed Henry Jackson instead of Governor

[George] Wallace for the Democratic nomination in '72. I had never fully understood. It all became much clearer at that junction because it was a very unpopular move at that time in Georgia. Looking at the national scene, it certainly began his campaign. That further explained why he toyed with the idea. I'm told he tried to be considered by [George] McGovern as a Vice Presidential nominee during the same campaign.

That's when I first realized that this thing was going to go forward. I participated in it as an outside observer and an unasked commentator on various elements of the campaign. I was the banker for most of the Carter aides from the time they came to the Governor's mansion until the time I left the bank. I was the person who loaned the campaign a good bit of money during its exercise of need in mid-'76. I might add that all of my loans were secured and that every agency in the history of man has looked at them. I don't think a federal employee who's walked by the bank since then has not examined them. I'm proud to say that they have passed muster, and the lawyer who helped me draw the documents has become rich and famous.

The entering of office in '77 was interesting if you reflect back just a moment. They walked down Pennsylvania Avenue, which was widely received positively. The perception was we were all-powerful, that we would easily have two terms, and this was a beginning of a whole new style of Presidency and of leadership of government, and that there would be a new order. Those who had been out, who had ostensibly been represented, would indeed now be represented by this sophisticated common man, who was often compared to [Andrew] Jackson in his approach to government. Those who had run this country for years would be on the outside looking in. I think we were naive in thinking that, and history has proven that to be somewhat the case.

The transition was interesting. I got involved after the election when the campaign came to us and said, "Look, we want you banks in Atlanta who are our friends to be the bankers for the Inaugural. All we want you to do is do what other banks are doing and help us come up with the fundraising apparatus to pay for the Inaugural." We got into that. The person running the Inaugural was unable to manage the process. It soon began to appear as if there would be no Inaugural, and so we, for whatever reason—I haven't quite yet known why we had to assume responsibility for it—but for whatever reason, we gave one of our own to the Inaugural process. And he and I became very much involved in trying to figure out what to do. He subsequently came up and did it, and that brought us into closer contact with those soon to assume power.

My first observation was, "Golly, these folks are going to run the government." Then I began to move around the transition office, because at that juncture I had not been appointed. I felt like I would be representative of this governing group, so I wanted to know who was going to do what. Now I went to the HEW [Health, Education, and Welfare] building, and my observation was, "These folks are going to run the government." It was a disorganized, disjointed exercise in futility, made up of people who first of all were trying to get a position for themselves and seek recognition in the newspaper for having done something cute or said something important, and only then for working on transition. The serious work that was done tended to get lost. Those who were serious about trying to make things happen got caught up in many instances in the battle in the fight for life for recognition and existence in the new government.

I felt that was a shame. But I soon learned that it was fairly common, and I just watched it take

place recently in this last transition. I will say that they had a better plan economically, or at least it appeared that way from the start.

In any event, my interests grew, and I was offered a job on January 3rd by Bert Lance to come and be his congressional liaison person. I had just recently learned what OMB was. I did not really know what the role was, I did not have any understanding of what my responsibility would be, nor did I know exactly what was to be requested. I immediately was dispatched to Washington to figure it out. Having met with the person who was the head of the job, I came away totally unknowing of why they had chosen me because the job previously had been, as Jim described it, a caretaker role, and that was not my style, nor was it my personality, nor was it my intent. We decided mutually that we would move ahead and become activists.

The points that Van and Jim made regarding the economy and how we got started off were exactly accurate. I disagree with Van to a degree regarding the stimulus program. I think that the meeting at the Pond House where those decisions were made was a return to the fifties and sixties of economic thinking and a simpler time. I think the stimulus package of some \$33 billion—which was almost ten percent of the total outlays expected—was tremendous. The naiveté and the simplicity with which we passed that demonstrated that we were not the only mistaken people in this world, and that the Congress was equally responsible for the problems that we dealt with as a result of that. Yet, I don't think that we were ever able to adequately share the burden of that mistake.

The '77 budget reestimates were a total fog. I never knew exactly what we had to do or what I was supposed to do, but somehow or other we muddled through it, and I think that that led us down the road to ultimate difficulty in dealing with the money committees. It was too early, too soon. There weren't enough tough questions asked, and there weren't enough required inquisitive analyses of what we were doing. Bert's testimony was easy, nothing to it, and we were able to basically lay off all technical questions, and therefore were not forced to examine our own motives.

I disagree on the \$50 rebate withdrawal. I think it was a courageous and a wise decision. I think it was probably handled poorly. I've never understood why it was considered to be such a great failure of Carter. I thought it showed tremendous strength to back down from a commitment. I'd felt like the previous \$50 checks sent out by Jerry Ford in '75 was the most ludicrous thing I'd ever seen in my life. For us to do it again was the same thing. I was delighted we pulled it back. I was somewhat surprised, as was Bert, at the firestorm of criticism that we received from the Hill. I think it was a good decision. It should have been sold better. We should have gotten somebody on our side. We should have responded to an orchestrated call on such action. Unfortunately, we didn't totally understand the process at the time. We did it because it was the right thing to do without really planning it.

My role early on was totally involved in the reorganization portion of OMB. For whatever reason, it was decided it would be placed in OMB. I didn't really understand at the time why, but it suited me fine. It gave me a bigger, broader role in something that looked like it was going to be great fun. I soon realized it was a dog, and I passed it on to others. I got out of it. I found out it was a dog when I was sent to be what in pro football is the guy who runs down and breaks up the

people on the kickoff. I was the guy at the front of the “V,” and I ran head on into a guy named Jack Brooks.

The issue was the President’s authority to have reorganization as he wanted. They told me that’s what they wanted to do, and I said, “Are you sure that’s what you want to do?” They said, “Yes.” I said, “Are you willing to take the lumps if we win?” They said, “Yes.” I said, “Ok, we’re going to win.” I went up there and proceeded to make Jack Brooks about as mad as anybody could make him because I was willing to forge an alliance with Republicans and Democrats in the House Government Operations Committee to pass the bill. It became obvious that the coalition was there with Frank Horton on the Republican side and Elliot Levitas, a fellow Georgian, on the Democratic side.

That group would basically overturn the chairman. Bert then came in, made peace with the chairman, and proceeded to throw me to the wolves. I suffer the spite of Jack Brooks even to this day. But we won that early victory in getting the authority reorganized the way that we wanted. In hindsight, we made a mistake. We should not have had it in OMB. It should have been done on a [Herbert] Hoover commission type basis. We should have limited the number of things we tried to do, and we should have dealt with broad policy areas and not the minutiae we got into.

I think the great mistake that we made was to think that anyone really cared what the size of the White House was. By reducing the size of it, we left ourselves incredibly vulnerable politically to deal with the pressures that were coming then, and were yet to come in greater numbers later. The administration of the President in office has made the same mistake. I’ve yet to understand why it is that they are going through this exercise that they are. The same is happening to them.

My job was to get the reorganization approved, the authority approved, which we did in about sixty days. I felt great, and we proceeded to move forward. I then got immersed in the debate between Harrison Wellford and Dick Pettigrew as to who was going to run it. I didn’t really care because I didn’t know either one of them very well, but it seemed that if Bert wanted Harrison to run it, that was fine with me. And since I worked with Bert, we did what we could to make that occur. It evolved that he indeed did run it.

I never quite understood until some time later why Pettigrew was in the act. It’s irrelevant today, but it was part of the early diffusion that didn’t make sense, and was a classic example of some of the problems we had, which is the left hand-right hand problem, one group not trusting another group and rather than sitting down and saying that, they just sort of trotted along. Rather than developing expensive and extensive reorganization plans, it made sense to try an end run. We spent too much time trying to defend our right to do what it was we were charged to do. That says a lot about the entire administration, and it says a lot about the difficulties.

I soon moved out of the reorganization process. This came about really as a result of the Lance affair. Bert was a friend of mine. He was a fellow who I respected and had been a competitor with in Atlanta. I had not supported him in the Governor’s race in ’76 because one of our directors ran against him. I had known him and thought well of him and felt that he was really an important figure in the Carter administration who would express the views of so many people who had voted for Jimmy Carter and who had not voted for a Democrat since 1960, particularly

in the south.

Therefore, I felt that his survival was of the utmost importance, not only to the President but also to those who needed to be represented and had not been represented within the Democratic Party—or for that matter, within the power structure in Washington—for a long time. Bert, as you all know, didn't survive the onslaught. I'm not going to get into details of that now. If you have questions, I'll be glad to tell you anything I know about it. But I think it ultimately led to difficulty, and it led me into the budget process.

Jim became the heir apparent—or at least the struggling heir apparent, because there were those within OMB who were trying to make sure he didn't get the job. Those outside of OMB who were desperately trying to make sure he didn't get the job had some good intentions and some bad personal motives. It became one of my responsibilities to try to make sure that I helped Jim, who was my new boss, to survive. Therefore, it obliged me to learn about the budget process and what was required in that regard and to become a mini-economist. As Van would say, a very mini-economist. We didn't often agree, but I often was required to give economic analysis on the Hill on the spur of the moment. I never knew very much but about thirty-seven terms which—if adequately dispersed in a four hundred-word paragraph—can get you through almost anything, with all due respect.

**McIntyre:** Let me make one point. This was the first year that the budget act really was in effect. They had had a trial run the previous year. But this is another important accomplishment. The Carter administration was the first administration that had to actually deal with the Congress in the budget process under the budget act. Although it was passed in '74, it really didn't start working until about '77 in full.

**Harris:** You all have heard the discussion about the budget process, the economic problems, and what we went through early on. I'm not going to try and repeat that. At the appropriate time, I'll be glad to comment on it. I thought I would tell you a little bit about some of the things I saw that led to problems within the administration. First of all, Peter Petkas has heard me go on on this subject for a long time. We were over-tilted to financial conflicts of interest. We went up there with a feeling that if you owned anything, you had to pretty well divest yourself of it, and that would solve any conflict of interest that you, I, or anyone might have in dealing with issues.

We never examined the moral conflict of interests. It's a problem in government today. Imagine someone who had worked for a supposedly public interest group and then moved from that public interest group advocacy role into a role of responsibility for the issues that they had previously been an advocate for. I feel like that that was a critical problem for the President and led to the perception of confidence, of wishy-washiness, and of lack of clarity in issues. It led to a great many problems for us at OMB. We took people out of the role of lobbyist for a public interest organization, put them as the director as the administrator or the assistant secretary in charge of that specific area, and then expected them to get along with the interest groups on the other side, knowing full well that they had no responsibility to those groups themselves from their previous thought process. There was no requirement that they do so. There was no requirement to be unbiased.

The staffs that were built around these individuals came from essentially the same role, with no input from industrial or counterbalancing forces. It was not really noticed or recognized because all the attention—personnel wise at the top level—was focused to Cabinet, immediate number two people, ambassadorial, and politically sensitive decisions. Therefore, if you take the Department of Transportation or ETA [Employment and Training Administration] or other places like that, the positions filled at the lower levels tended to be an advocacy role for the stated position with no level of neutrality.

Therefore, industry as a group—from the carpenters' union to General Motors—felt as if it had no voice and no role in modifying these potential positions. Peter and I have discussed this. I've talked to Jim about it. I feel like it was a great mistake for us. Those people could have made tremendous contributions. If you're going to examine the difficulties, you need to look at the bitterness that we generated in dealing with the opposite sides of these people. In many instances, they were forced through the practicality of events to take a moderate position as opposed to a radical position that they had previously advocated. Then their former mentors attacked them. In other words, the parents turned on the children, and it became a rather difficult situation. It was a terrible problem for us, and I don't think we adequately recovered from it.

The former President said this: There was a natural and practicing bias against the south in the press. We were set up to a degree. I don't think that we were given a fair chance to succeed. We were considered an aberration, to some degree. There was not a plan devised by twenty people sitting around a table to make that occur, but I believe that there was a sense that we could not succeed, and therefore we should not succeed. That sounds like a regional viewpoint, and if it is, fine. I still have it today, and I think before long, the tide of the press will turn against the President incumbent for similar reasons. But I do think it was there. It was evidenced in many occasions throughout the administration. I do have to add, however, that I think we made a lot of our own bed by overcompensating on the disclosure business, by overcompensating on financial conflicts of interest, and by not having a system of hiring competent people in certain positions. We added to the confusion.

I will also mention the problems of Georgians. I was a Georgian, and it was as if I had ridden up the four-lane highway with cotton along the side. You know, we were going back north to take over. It was the craziest experience. I don't know how in the world sane people, grown men and women, could feel the way that some of us did. Not everyone felt that way. We really had won an incredible victory. We had finally established a level of dignity in southern politics on a national level. There was a tremendous level of pride there, but there was also bitterness—bitterness that existed then and existed throughout the administration and that exists today. That is, bitterness directed toward those in power who tried to deny it to us.

The comment that there'll be no Cy Vance types—if you know what I mean—in the administration was indicative of the way a lot of folks felt. I think it undid us. We tended to overconcern ourselves with those issues and not to seriously concern ourselves with the broader issues. We, as a group, were naive and not wise to the ways of Washington. It was not Atlanta. It was not Columbus or Macon or Savannah. It took us a heck of a long time to figure it out, which caused great problems for the President.

We did not seek out or search out experienced Washingtonians to discuss things. Not that we had to agree with them, but just to learn the process. This hurt us. We did not take time to stop and listen to those who had been there before us, and I think it caused us trouble on numerous occasions. These things led to much of the problem of perceived incompetence, which could have been avoided had we stopped for just a minute and quit telling and started listening early on in the process. If I had it to do over again, that would be the greatest recommendation I would make to anyone.

Observations about the President. He returned to the country a sense of dignity about the office. I think President Ford had done a lot in that regard. I think it was clouded by his part in the President Nixon crisis. As recently evidenced by the incredible assertion that Carter had bugged something in the Blair House, and then the way that has been handled, pointed out that all the things he did were honest. What the country perceived he did wrong was to be too honest. He may have been honest and not able, but he was honest. That's an extremely important recognition. It's something that not enough has been said about, and I think that it's helping President Reagan today.

Furthermore, I think the point that Jim made earlier of restoring a sense of restraint in domestic issues was a great success. We fought battle after battle after battle on the Hill over minute numbers of dollars simply to point out that we, at least in OMB, weren't going to cave in to every interest group that came along. Unfortunately, we did not have the support of the White House staff. The President was willing to make the tough decisions, but then as soon as they were made, people were literally dispatched to the Hill from other elements of the White House functioning to undo the decision—oftentimes quietly, oftentimes through leaks.

The President himself, by staking political risk in the restraint, brought about at least the first overview by certain elements of Congress of these programs that had grown from \$50 million into multi-billion dollar programs without any particular plan. That was a great success. I agree with Jim that the reconciliation bill signed after I had left—one I had worked very hard on—was an extraordinarily important event, and one that is the most significant thing that came out of the Carter Presidency from a political-Hill economic result.

The process we went through in March of '80 in coming to a balanced budget was only balanced for thirty days until we reestimated with extreme reports. Had we been able to convince the Congress of the importance of these economic issues, we and they both might have survived the election tide. Many of us, particularly the Congress, misread proposition 13 in June of '78. We did not respond to it until damn near too late, which was March of '80. When we did respond to it, we'd go back over and over and over and over the issues, and I brought the notes from that, the only set of notes from that period of time.

The result is that we didn't talk about the macro or the broad picture, we talked about dams, and we talked about Title II in education, and we talked about this program and that program, and are you going to put in \$50 million or \$25 million. We missed the whole picture. We knew what the picture was— "we" being those in OMB who were dealing with the big dollar numbers. But trying to get the Congress and some of our own employees or co-employees or allies or whatever you call it to recognize or appreciate and join the team to face down the economic disaster we



were headed into was damn near impossible. If you review it, you'll see the parochialism and the narrowness of the political spectrum in its full retreat.

But I think that the President was willing to take it on. I think that the fact that he made some of the decisions including the gasoline tax showed courage. It's a shame that it was not properly or adequately portrayed, and therefore he was perceived as not having been successful.

I think that the growth proven in jobs was good. I think we would have been better off had we not been so infatuated with unemployment, and had we dealt with inflation as an issue earlier. It seemed like every decision we made was made for the four or five percent of the worst end of the spectrum, and the guys who got the last consideration were the ninety-five percent of the people in the country who were not in some level of extraordinary disability or difficulty. That, I think, was a difficulty, but I do think the President should be credited with a period of generally good economic growth and fairly low unemployment by today's terminology. At some juncture, he will get the credit that is properly due him.

Now as to the economic events, just a few comments. The Farm Bill in '77 we knew we should have vetoed. We worked closely with a guy named John McEvoy, who was the staff director of the Senate Budget Committee and who had previously been a big spender. He was coming around. I thought he had more vision on issues. He was more difficult to work with than maybe he needed to be. He had tremendous vision. I thought we should have listened to him. If we had listened to him on more issues, taken a harder stand, we would have been better off. We should have vetoed the Farm Bill in '77. We made a decision—I don't know who made it, I don't know why we made it—but there was a "no veto" policy the first year, an incredible decision on our part. We took away the one weapon of the Presidency.

**Jones:** Just a blanket decision?

**Harris:** It was a decision that was not arrived at through negotiation. It was just settled on. When we would try to get something vetoed, someone said, "We can't veto that, we'll look like Ford." Jerry Rafshoon told me later on in the process that Ford started catching up to Carter in the '76 election when he started vetoing those bills because most of the people out in the country think the veto is a sign of strength and are not for all these interests. The interest groups in Washington have got you under a glass, and they can put intense heat right on certain points. It doesn't reflect necessarily a broad viewpoint, even among the constituencies that they represent. I feel like the no veto policy was terrible. It hurt us.

**Mosher:** Was this the first year?

**Harris:** Yes. And it carried on, really, into the second year until we vetoed the Public Works Bill, which was the first major veto.

**McIntyre:** The policy was so bad that I believe in the spring of 1978 I wrote the President a personal and confidential memorandum telling him of the merits of using the veto and explaining to him how important it was. That's the way to play in the legislative game. I gave him some historical data about vetoes, and I got the memo back with a little notation on it, "I agree." But

we still had a very hard time getting him to veto bills. Part of that goes back to the point that I made earlier about his reputation of being single-minded in dealing with the Georgia legislature. He had made a personal commitment to try to get along with the Congress, particularly since it was a Democratically controlled Congress. That was part of the explanation for his unwillingness to use the veto in the first two years of the administration.

**Harris:** We had a hard time becoming tough after we had publicly said we would be weak. I mentioned earlier the stimulus bill and the over concern about unemployment. I do believe Van began as a non-economist. They way over-stimulated, way over-pumped up the economy, and we just totally missed inflation as an issue. We were unwilling to take on the special interests toe-to-toe and to lock arms and do battle with them because they were on us at the levels where the fights had to take place. They hurt us desperately because that's what caused the mixed signals.

The President would say something and go forth with a position, and then late that afternoon somebody from an administration agency would come forward and basically undo the policy through subterfuge. They did so in good spirits. We were so unwilling to take that tough stand that when we would find these out there were no penalties. When you do not penalize people for violating your policies, they will do it again. When one does it, the other side feels they're obliged to do it, and when the other side does it, the next group does it. The lack of discipline stemmed directly from that. We sent mixed signals on many occasions because we wanted to compromise too soon, again undoing us economically.

Bert talked about vetoing the labor HEW bill in '77 because it was added onto above what the President wanted. Immediately, he was undone by a representative of the Congressional Liaison Office in the White House, who said the President would never veto a labor HEW bill. Then we got into an argument about who should say what. We didn't solve the problem, and we didn't deal with the bigger issue of who speaks and who should speak and what should others say. Consequently, we dealt with the issue in bits and pieces throughout the administration, the consequence being the perception that the President would not take a tough stand on economic issues, when indeed he would and did so later on. And when he did do so, it was felt that he was backtracking on previous commitments. That hurt us.

The relationships of the Democratic constituencies: We were over-concerned about organized labor; we were unwilling to address them as another constituency and apart from being an element within the Democratic Party. When they screamed, people just shuddered. When they disagreed, we didn't respond. The President didn't have a relationship with [George] Meany. He had the-world-is-coming-to-an-end type of an attitude. Personally, I felt that that gave him liberty. Because of the pressures within our own group, it was difficult to take advantage of the liberty. We didn't, and that hurt.

Again, no one problem created the difficulty, but this combination of things sent the message on the economic program and where we were headed, which affected other projects. We had too many people sitting in the development of economic policy who didn't know a darn thing about economic policy. They didn't have any responsibility directly for economic policy. They were political operatives who, in effect, intruded into what shouldn't have been a political decision

process. Economic policy review groups should have been those people with statutory responsibility for the economic well being of the country, and not with the political well being of the various Democratic constituencies.

By their being a part of the economic policy review apparatus, you never had a chance in many instances for tough decisions to reach the President and the debate on the political merits. What happened was the tough decisions were debated, watered down, and then when they got to the President, they were debated again and watered down further. That's my observation. I did not ever attend a meeting, nor did I particularly want to go to a meeting because I didn't have the responsibility or the knowledge. But from what I gathered in watching it, I felt like that hurt him terribly because we were not dealing with an economic issue in its purest sense. We were dealing with a political economic issue. This was brought about by the expansion of that group into more political operatives. And I think you might want to comment on that.

**Ooms:** Yes, let me just offer an amendment to what I would agree with very substantially. There was too much political economy played where you should have been playing economy, and therefore a lot of tough decisions didn't get there. The result is that some minor decisions went to the President that no sensible economic policy process would ever have sent there. The President, believe it or not, had to resolve disputes over how interest rates should be handled in the budget projections. That was a debate which could not be resolved in the economic policy group. Secondly, on at least two occasions, there was the question of whether OMB did or did not have to acknowledge the Humphrey-Hawkins assumptions in its out-year budget estimates. It was a matter of some political importance, but certainly not an earthshaking issue that should have had to be resolved by the President of the United States.

**Harris:** In my judgment, that's a classic example of what led us to the idea of economic disarray and incompetence, of inability to be planners instead of reactors, and to send to the Hill different messages simultaneously in four or five different ways—a very difficult situation. The politicization of the economic policy group, and issues often debated—not in terms of their economic but their political impact—were constant difficulties.

The last point I would make would be the difficulty that the economic issues suffered from the lack of any party discipline, particularly within the Democratic Party to support the President. Recently, we've seen in Congress an effort on the part of certain groups to penalize the often referred to boll weevils for lack of party loyalty because they violated the policies supposedly set down by the consensus Democrats.

When we were in the office of the Presidency, and I was at OMB and working closely with the Hill, the biggest detractors and the harshest critics we had were Democrats. They were not the Republicans. The first two years, we basically had a honeymoon with the Republicans. They were scared to death that we were indeed going to run the place for ten years. They really were not problems for us in that sense. We were unwilling to forge the alliance with the Republicans that could have taken place.

However, on the Democratic side, by showing weakness by the lack of a veto, by showing weakness through the constant compromising of decisions, and by showing weakness by sending

many mixed signals, we encouraged lack of party loyalty. And then, when we came around to penalize [REDACTED]

[REDACTED] Yet we let [REDACTED] and others get away with murder who were anti-Carter, who were enemies of Carter and of what Carter was trying to do, staying so for the whole time. Now Toby's a great Congressman and will do wonderful things in years to come, but during the Carter days he was very harmful to the Democratic Presidency and to the incumbent Congress. Now admittedly, we have some responsibilities there, but in this particular discussion, as to the difficulties we had in passing and perfecting and implementing a consistent economic policy, the lack of any party unity as it relates to the Presidency was a great difficulty.

My last comments are on the Congress. I still work with the Congress, and therefore I'll be very careful in what I say, not knowing who will read this when. But I still occasionally have to get a vote from them.

**Young:** You'll read it first.

**Harris:** Ok, well I appreciate that. I've had an occasion when I read it last and regretted having said it.

**Haider:** In the paper, probably.

**Harris:** No, no worse. In a book. First observation, the Democrats had been out of power for eight years. Under Nixon, there was such a divisive atmosphere within the party and indirectly with the Presidency. Then there was the throw-the-goat-out type atmosphere of Watergate. Democrats were coming in and spending the time trying to build some bridges. They were immediately going into an election posture. They had left the party feeling we've got to win even though they didn't like Carter, even though they moved heaven and earth to beat Carter in the primary process. They all came totally out of Congress. They embraced him and helped him to get elected, and frankly, Carter probably would have had difficulty getting elected in '76 had it not been for some support along the way from various members of Congress and certain states.

When we got to town, Congress expected far more from us than we or any other human beings could have ever delivered. They expected to be consulted on everything because they had never been consulted. The leadership of the Congress was turning over at the same time. The committee chairmen would be powerful. The subcommittee chairmen were then and are now all-powerful, although that's slowly but surely changing. The relationship of who we consulted with and when was always difficult, because everybody considered themselves equal. It was an impossibility to work simultaneously with all folks.

I think that from OMB's standpoint, what Jim said is correct. They looked upon us as the absolute enemy. They expected us basically to cave in to the traditional Democratic view of spending, which we didn't do. My job was to forge an alliance. In additional reorganization on the budget process, and in working with Jim to try to sell the policies, we were trying to sell internally and finally explaining what we were trying to do in delivering the votes on key budgetary issues to the Congress. We were quite successful in developing a relationship between

OMB and Congress, moving from OMB as sort of a secret. Nobody knows what it's doing, while maintaining what I considered to be an important independence of the bureaucracy within OMB to do what's right and to say within the confines of the group to stay pure and not be totally politicized. It's not politicized now, I might add.

The Congress expected more from us than we could deliver. They expected that OMB could give things away more than we could. The lack of control by the committee chairman—thereby creating a large group of people for us to deal with, as opposed to a fairly narrow group—was a problem. The lack of control by the leadership over these subcommittee chairmen made it difficult. We were never able to go to a few people and work it out. There were always numbers of people.

Congress perceived us as being anti-Congress. The no-veto policy was our response to compensate for that. Our intentions of dealing with Congress were good. We wanted to do well. The President didn't like to do a lot of the "politicking bit" that is required to support certain staff people. Other key members of the President's staff were discouraged from making alliances on the Hill, which hurt. In other words, there was not enough input from Congress into the higher decision-making apparatus. It was confined, for whatever reason, to a very narrow group. When someone didn't have confidence or the ear of that person or that group, they didn't feel like they had any way to input. Consequently, there was this feeling that they had to ask, "What good is it for us? We don't own this guy."

The banging away started very early in the process. Someone—I think Tom Donilon, who's here in Virginia—is doing an analysis of the first two years of the Carter administration. I haven't seen this, but they told me that the bulk of the criticism by the two parties that was published in the newspapers was two to one, Democrats to Republicans, in terms of the amount of criticism, which confirms my own theory. The kinds of issues we were banged at were some of the better issues that we came up with. For example, there was the intense interest in energy as an issue early on, when we were ridiculed for its being proclaimed a "moral war." In retrospect, that was a great thing. It's too bad we didn't have the horsepower to pass the program before the issue became so serious. In any event, the relationship with Congress was not good.

The diffusion of power created a problem. The number of people we had to deal with was difficult. The lack of continuity of policy was the backdoor, whether it be defense issues or education issues or health issues or welfare issues or transportation issues, highways versus mass transit or whatever. The constant bickering among the interest groups within the administration led to a feeling that we didn't have our act together. When we would go up from the White House, we would immediately be followed by the camp followers next day who would say, "Well, these guys say that, yeah that's right; but what they really mean is this."

This created tremendous confusion. We didn't accomplish any major reorganization. Why? Before we even got the plan to the President—who we were trying to consult—the people in the departments who we were consulting with were saying, "My God in Heaven, they're going to take away my turf." Therefore, they would go around us to Congress and plant the questions so that when we came up there, yes, we did consult, but everything we were told was a narrow viewpoint.

We were never allowed to present what I considered to be a major reorganization proposal, such as a Natural Resources Department, which to me made sense then and probably does now. Someone told me the best thing that we could have done would have been not to have told anybody about all our reorganizations on April 1, 1977, and just let the chips fall. But even if it was wrong, do it. We studied it too much. We were too academic. We brought in too many people who didn't know anything about it.

In the process of disseminating information and trying to come up with a consensus, we undid ourselves. Part of the greatest problem we had was those within the administration who wanted to protect the levers of power up there, assuming that this viewpoint would be felt forever, when in fact, the viewpoint that was represented was essentially an interventionist viewpoint which was falling from power rapidly. We just didn't perceive it. Had we presented one and lost, I think it would have been something the President could have campaigned on pretty well. At least he tried. As it turned out, reorganization was rarely mentioned in the presidential election process because it was a dead issue. Many things that we proposed were eventually passed. Many things that we tried to do did succeed.

Our inability to speak with one voice is the greatest difficulty that faced us in economic, domestic, and foreign policy. And it's a problem that I imagine every other administration has had. It's beginning to be a problem with this administration. Their strength early this year was a commonality of interest, of pulling together. It's now, if you read the *Washington Post* every day, beginning to fall apart, and I suspect will fall more apart. I consider that to have been the greatest problem.

The difference of opinions or lack of an adequate method to resolve the differences without going to the President, as Van said, was a problem. Taking something like how OMB does interests as an issue to the President is ridiculous. You wouldn't see that today. It just wouldn't happen, and I think that's a problem. But if I had to sum up the difficulties, it would be the lack of commonality of interest—too many divergent viewpoints brought together with no one resolving at lower levels the differences of opinions.

**Young:** These different perspectives have been very rich and very good. I think we've got plenty to chew on here.

**McIntyre:** Let me talk about a couple of things that have been alluded to this morning, and let me try to develop those points just a little bit further. First of all, you have to remember that in this transitional period you had a President who was basically a populist. He was a fiscal conservative, but he also had some compassion for meeting the needs of the poor and the disadvantaged in our society. At the same time, he was an engineer, and his thought processes were basically those of an engineer. He thought that if you design the system properly, and if you turn the right valves, you'll get this kind of result.

Well, looking at those characteristics and then taking into account the President's own management style, in which he liked to make a lot of decisions, he'd like to do that on the basis of reading papers. He just consumed a lot of information, probably more than any other

President, at least in modern times. He read a lot of facts and a lot of information. And he felt that he could convince people of the rightness of his decisions through logic and persuasion. Well, logic and persuasion go so far in a political environment, and at some point you know you have to sit down face to face with the people. You use your logic and persuasion, but there are other things that you have to take into consideration.

Maybe this Congressman has a bill that the administration has been opposed to, and maybe you can work out some compromise with the Congressman on that legislation. Those kinds of broader-picture aspects are what was happening in Washington, but were not always taken into account. They were not taken into account in most cases in trying to deal with the Congress on specific problems. We did forge coalitions with Republicans, to the consternation of many of the Democrats on items like civil service reform. We couldn't have passed it without that coalition of Republicans. So there were instances where we had to go to the Republicans to get their support.

**Harris:** Jim, that was extraordinarily rare. We were chided by the leadership for having done so. Yet the leadership was unable to deliver for us consistently large numbers of votes. But during the early period, we did not do it often enough; therefore, we left ourselves vulnerable, being like someone at the dance with only one potential partner. There was no competition. Reagan has used the boll weevils and conservative Democrats so far in his term, and he's got some of the Republicans mad at him. You hear a lot of talk about that because of the deals he's cutting. Yet if you get right down to it on AWACS [Airborne Warning and Control System], if he wins, it's going to be out of party loyalty.

**McIntyre:** Also remember that the Congress was in a period of transition as well. The Congress had been basically a Democratically controlled Congress during a period of eight years of Republican Presidencies. The Congress had been in a position of joining issue with the Executive Branch, with the President in particular. OMB became the focal point of that. At least in the Ford years, and during the Nixon years, it was basically a combination of OMB and people in the White House. But the point is that the Democratic Congress had been in a position of actually regaining some of its power and overriding actions of the Executive Branch.

Recall, for example, the efforts of the Congress to establish many of the independent regulatory agencies. Recall, for example, the powers of the legislative veto provisions that were added to various regulatory pieces of legislation. And remember that this was a period when the Impoundment and Control Act was passed and when the Congress was regaining control over the budget process. The War Powers Act was passed, regaining control over some of the Executive actions in the foreign affairs and defense area. So Carter walked into office facing a Congress that has been demonstrating its own strengths.

It's also a Congress, remember, in which the committee system had been challenged two or three years, maybe four years, before Carter took office. The so-called young Turks began flexing their own muscles in the Congress and challenging some of the seniority system. So Carter walked into this kind of Congressional environment that was entirely different from what Lyndon Johnson, John Kennedy, or Nixon had to face.

On the other hand, you had a Congress that was somewhat suspicious of this new President. He had a reputation of being one tough hombre with his legislative body in Georgia. They weren't quite sure how they were going to get along with him, even though he was of their own party. There were also some relatively insignificant things like getting rid of the yacht, the *Sequoia*. It's not a big deal, but then you think about how you've got to get votes to pass your programs. One way you get votes is to impress members of Congress by inviting them down to have dinner with the President, inviting them down to state dinners and to other functions in the White House and by taking them out for a cruise on the Potomac. They may seem like irrelevant acts, they even may seem like the kinds of things you shouldn't have to do to get along with Congress. But let's face it, Congressmen and Senators are like everybody else. They like to be courted a little bit. Preparing the energy plan basically in secret and springing it not only on the Congress but on the rest of the administration was not helpful. Little things like that began to add up. It was the kind of transitional environment that the Congress was going through in dealing with this new President. All of these little things got us off on the wrong foot in dealing with the Congress.

**Jones:** Excuse me, Jim. I just want to ask about this matter of little things, like the yacht and inviting members. Is it the case, as we heard, that the President didn't actually enjoy, apart from recognizing the importance of inviting and socializing on a sort of one-to-one basis, that kind of interaction with members of Congress?

**McIntyre:** I really don't think he enjoyed it that much. He never said he didn't, but my impression is that he did not enjoy that kind of thing. I know when it came down to making those final tough choices, and dealing with individual members of Congress, he did not enjoy doing that personally.

**Harris:** However, he's a very personable, social individual who enjoys a good time and enjoys pleasant company with others as much as anybody I've ever seen or known. He's got a wit that is under-recognized. I don't know whether he did enjoy it or not. It seemed to me that when he was there and doing it, he seemed to have a good time every time I was around him on an event like that. He's not, as Lyndon Johnson has been described, you know, where this is just part of his routine. It wasn't his routine, but when he did these things, he was very effective at it. He's such a genuine person. I was always surprised that he didn't do more of it, particularly when I watched him.

**McIntyre:** He did in the last two years. I think he did recognize the need for some of this. He did do some of these things, and he was much more effective the last couple of years. This administration provides some textbook examples on public policy issues.

For example, the decision-making processes: The good points and the bad points about them really are good case studies on public policy decision-making activities. It's a good case study for dealing with the Congress and the importance of the Congress in trying to implement your decisions. What really gets down to the heart of the question about leadership is your ability to have a vision of the future, to develop the policies that lead you toward that vision, and then being able to bring other people along who are necessary to implement that decision or that vision, being able to bring them along and get them to agree with you and actually adopt that decision.



Too many negative things are said about the administration. Too much emphasis is given to the negative aspects of the administration and not enough to the positive. I think there were a lot of positive things, some of which I mentioned in my opening remarks. Carter did have a vision of what the problems were. He also had a vision of how to do what we ought to do to prepare our country for the future. The area where we fell down was our inability to communicate effectively the vision and the proposed path to get us into the future. That hurt us probably as much as any other thing, our inability to adequately communicate what we were doing, what we had accomplished and where we were going.

**Harris:** I'd just like to add one point to that. I feel like one of the great difficulties we had was the misreading of where the public was. I don't know whether our polls weren't right or whether our use of polls in making certain decisions was totally inappropriate. I don't personally know the extent to which public opinion polls on certain issues entered into the final decision-making process. But on more than one occasion, I heard the terminology used, "Well, such and such a poll says so and so in this issue."

I thought to myself, my God, who are they talking to? because it made no sense to me. I never enunciated my feeling. I never got into an argument about it, but I look back in retrospect thinking about some of the things we did. I don't know why in the world we decided that that was in the best interests or that this was what was needed. It seemed like we were somewhat dependent on polling what the public wanted, and that moved us in a certain direction on decisions. Now, Jim, you clarify if I'm incorrect.

**McIntyre:** I have one final point. As students of the American Presidency and public policy, American government, public administration, and the Congress, if you have any doubt that we don't learn from history or that history doesn't repeat itself, I would invite you to look at the article in the *Wall Street Journal* yesterday by Kim Bacon about the economic situation the current administration is facing. There's one sentence in there that I guess only OMB directors would really appreciate, and that is the anonymous comment from somebody in the White House that the Office of Management and Budget is going to destroy the President if he continues to listen to it.

I thought that was priceless, because we got hit with that every step of the way. We would try to convince the President that it's in the best interest to have a tight fiscal policy: "Mr. President, you need to go forward with some dramatic reorganizations. We'll never make your commitment to get the government down to two hundred bodies, but at least let's get two or three hundred eliminated." "Mr. President, you need to have a different tax policy than you've got."

We totally misread the attitudes of Congress and the American people in '78 with our tax package. We went up with a tax reform package that was fine for the early '70's. We got killed on it. They even rolled back the capital gains tax. I guess the point is that I felt that those of us in OMB were giving the President advice that we felt was good both professionally and politically. Although we were not looked upon as having any political experience in depth in OMB, I felt that we did. Looking back, I still think we had more political sense than anyone else in the administration. It was quite ironic that nine months or ten months into the current administration,

OMB is about to destroy the President if he continues to listen to it. With that we'll present ourselves to you now.

**Jones:** Let me start with the broad fiscal policy. One thing that occurred to me when you were making a point was the relationship was between you people and the Council of Economic Advisors. Presumably, CEA is supposed to be attending to the whole matter of the budget, the impact of the budget, and the whole economy. Were they doing that? What kind of day-to-day or week-to-week relationships did you have?

**McIntyre:** We worked very closely with the Council. We compared data on a daily basis. We worked with them on establishing the economic assumptions that would go into the budget. We had to revise our budget estimates. A lot of people don't realize this, but the administration is required by law to revise its budget estimates at least three times a year. In January, when the budget goes up as its original estimates, then in March it has to send a revised set of estimates up, and then in July another revised set of estimates. It's called a mid-session review. Then in January, most administrations have an amended budget for that fiscal year in addition to their budget for the next fiscal year.

So there are at least four opportunities for an administration to give economic figures to the Congress. We worked very closely with the Council in preparing those because they have such an impact on the budget and on the kind of fiscal policy that one would recommend to the President, including tax and spending. So we worked very closely. Van Ooms did the day-to-day work with the members of the Council and its staff. Then, as we approached decision-making times, I would sit down with Charlie Schultze. In addition to that, we constantly looked at the economic activity through the Economic Policy Group, which met with Van and the members from the various staff and the various members of the Economic Policy Group. They communicated frequently on a daily or at least weekly basis about the issues that the economic policy groups did.

**Mosher:** Was this an inheritance from the troika?

**McIntyre:** Yes.

**Haider:** It was a successor, too, wasn't it?

**McIntyre:** Well, not really, because the Ford administration had an Economic Policy Group that was broader than the triad trend when we expanded it further. We expanded it too much in the first part of the administration. Then we depressed it back down to basically the CEA, Treasury, OMB, the Domestic Policy Advisor, the Vice President, and we also had Henry Owen, who was the economic advisor on the National Security Council. He did the international economics. Interestingly, he became my biggest supporter in advocating a tight fiscal policy, which I found pretty interesting. One final point about the economic relationships: Everybody missed the productivity problem, and that hurt us significantly in our economic assumptions.

**Ooms:** Yeah, I would go back and pick up on something that Harris said. Unlike the current situation, had I been as willing to play out the differences with the other agencies on the front

page of the *Wall Street Journal* as the new folks are, I would have been out of a job in about a day.

**McIntyre:** That's right. But that's only because you worked for me. If you'd worked for other people, you would have still had a job a long time.

**Ooms:** Jim can report better on the first two years' fiscal policies. During that time, there probably were more differences between the members of the troika with respect to each other, both on fiscal policy at the time of the stimulus package and on tax policy at the time that was brought up. From late '78 on, when I was there, we had very few disagreements within the troika. There were a few, but there really were not very many. Most policy decisions shaped up in favor of fiscal restraint and then were brought to task or called into question by the Domestic Policy Advisor and/or the Vice President or the Secretary of Labor within the Economic Policy Group. Then, it was decided that either because the disagreements were terribly broad or for whatever reason, the issue could not go on to the President.

For instance, as with the proposal to change the administrative operation of the Davis- Bacon Act. There was agreement early on that amendments or repeal of the Act would not be sought, but it turned out to be one of those situations where an enormous amount, in fact, could have been accomplished through a change of the administration of the Act. There was a task force set up with OMB as chair in early or mid-1978. It was somewhat before I got there, and it reported back in very early '79. Then there was a process of going back to the EPG [Economic Policy Group] on numerous occasions with a set of recommendations for changes in administration, to which the Secretary of Labor would never agree.

There was then a standoff within the EPG between the troika—who were in favor of revision—and the Vice President, the Domestic Policy Advisor, and the Labor Department, who were against it. It was decided at that point that because the division was so fundamental and so deep, it would be politically damaging to ask the President to take him on and force him to make a decision on it. I was not actually at those meetings. Jim was at them, so I think he could perhaps correct that if it's wrong. But in effect, the issue then was one of these issues that never got taken to the President because of this kind of fundamental cleavage between people with very different views, as Herky pointed out, of fiscal policy and economic policy ranging over a very wide spectrum from Ray Marshall and Stu Eizenstat on the liberal end, to Jim and others on the conservative end of the spectrum.

**Young:** I have heard your comments earlier. Some of it sounds very negative, particularly when you look at the Carter Presidency from the outside. Everybody's aware of the fact that the press recorded this administration as a failed administration. People on the outside figure out before coming to the question that it was really a failed administration. But it does make us want to try to understand more about some of the problems that might have been distinctive, as well as those that are more typical in the administration.

I was struck by and wondered if we could get a little bit more detail on this, since so many of the difficulties seemed to stem from this general syndrome of the administration not speaking with one voice and not having a cohesive position on some of its policies. It's a problem in all

administrations. It seems to have been a really critical one in the Carter White House. Herky Harris has mentioned this as one of the central problems. He spoke about getting advocates in positions for the moral conflicts and the problems.

Some Presidents try to overcome the inevitable disunity that's going to develop on tough issues within the government. Some Presidents look to their own organization, their staff, as a way of helping to impose that central discipline or to get that cohesion. If you look back over many of the press comments, you've seen an extraordinary number of people taking issue with the boss, or with the boss's decision, from within the administration itself and from within the White House staff itself. Maybe it goes back to the transition, or maybe it's traceable to something else.

But why couldn't that kind of situation be brought under some kind of control? Was there some absence of thought about how the people who'd worked closely with the President in the Executive Office should be organized and should relate to each other? Was there something missing in the conception of what one uses staff for, or what one's staff is supposed to do? It puzzles me why this administration would have so much of a problem in that regard, and why there was so much difficulty within the Executive Office itself in having things coordinated or in getting unified positions.

**Harris:** The President was an engineer. President Carter was probably more involved in many more areas of specific decision-making than many of his predecessors, and likely many of his successors. This supported the staff's inclination to bring too many issues to his attention. When someone took an issue to him, it wasn't an issue with a decision that was obviously made at the lower level. It was taking issue because so many issues were allowed to go up. There were I don't know how many different attempts to try to short-circuit the number of things that went to Carter, but it didn't seem that anything ever changed.

I never could figure out whether Carter wanted those issues that were not getting to him, or if he wanted those that were getting there through opposite doors. If an issue was going to be gored anyway, you might as well run it by him and see if he might make the goring less painful. It just was a constant flow of requests for decision by him, and there was never a cut-off point. His capacity to work is probably yet to be realized by the American people. When a lower-level person disagreed with him on an issue, that hurt him.

**Young:** There very were few mechanisms for decision-making below the level of the President.

**McIntyre:** There were two structural problems that occurred in the transition period that really led to that. First, Carter's decision not to have a Chief of Staff meant that there was no enforcer in the White House. That encouraged others in the administration to do what they wanted to do and to speak freely without fear of any retribution. The collegial atmosphere is a nice thing in theory. In fact, it doesn't work well in government. One might understand the policy, while another one will go out and give a different interpretation. If they have equal roles within the collegial environment, there's no one other than the President to say, "Hey, stop it. Let's start talking with one voice." That was one problem.

The second problem was the concept of Cabinet government. The original concept of Cabinet

government was that the Cabinet would be independent operators. Much like President Reagan's initial Board of Directors concept, we would sit down, and the Cabinet would make decisions as Cabinet, and we would run the government in a collegial way. Presidential government doesn't work that way, unfortunately. I believe Cabinet officers ought to have and deserve a certain amount of autonomy. They have to in order to have any clout and to be perceived as carrying the water for the President. But they can't be loose cannons on the deck. There's no way you can try to run a Presidential form of government the way a parliamentary system works. The initial concept of letting the Cabinet do all the hiring and not having the White House running the government allowed people to start doing their own thing. It was only after about two years that we finally realized, "Hey, wait a minute. The White House gets blamed for all of this stuff; we might as well control it."

Those two structural problems led to not speaking with one voice. You're going to have it in any administration. You see it happening right now in the current administration. Another sub point that encouraged it in our administration was the tremendous difference in philosophy that existed in the administration. The hidden agendas of these advocates that Herky has mentioned earlier—and there were hidden agendas—were not necessarily the same as the President's agenda. There was a lack of disciplinary efforts. There was no punishment for those who did speak out contrary to the President's policies.

**Harris:** That had to be one of the principal causes of the problem, which grew in size over time. When we finally did try to discipline people, it was perceived as the heavy hand of fate coming down. It just didn't ever happen; therefore, when it did happen, it was such a newsworthy event that even when we did what was right we were criticized for being unfair. It was an amazing situation. But the trouble is that we let it go on for almost three years before it was addressed.

**Ooms:** The economic policy process was never fully addressed.

**McIntyre:** That's right.

**Ooms:** There are two ways that you can manage economic policy, neither of which was followed. One is that you can take it among the economic advisors and designate somebody who really has the authority to speak for the President. While the Secretary of the Treasury nominally had the position of chief economic spokesman, he never really had the authority to speak for the President on economic policy.

The other way you can do it is to have someone in the White House who plays a kind of George Shultz role. Shultz did play that role as Secretary of the Treasury. Other Presidents have had someone in the White House who took charge of coordinating economic policy and had the authority of the President to act as enforcer. We didn't have that model, either. There was no one on the President's immediate and close staff in the White House who commanded the profession's attention and respect. We needed to have someone act as an overseer of economic policy. The thing was cut loose, and you had different folks running off in different directions. Even though there were not at first profound disagreements among the members of the staff, there were enough minor disagreements that developed into profound disagreements between the staff and the other agencies, especially when you got into substantive matters concerning Labor,

Commerce, State, or whatever, that had never gotten sorted out.

**Young:** Did the two kinds you're talking about—the problem of discipline and then the problem of the President's inclination to get involved in too much detail—come from the President's decision not to have a Chief of Staff? Was that a decision consciously made?

**McIntyre:** Yes.

**Young:** Was that one of the options that were presented to the President on how to set up the White House staff or the Executive Office?

**McIntyre:** I don't recall initially whether it was or not, but I do know that it was an option that was certainly given to him later in the administration and was rejected. In the summer of '79, he came back down from the mountain and made a decision to make Hamilton [Jordan], in effect, Chief of Staff. Here again we were in a collegial environment. Had Hamilton been given that role initially, it would have worked. But he wasn't given that role, and after two and a half years of dealing with Hamilton as an equal, it was destined not to work.

**Harris:** It was a conscious decision early on. You recall the spokes of the wheel concept, all feeding co-equally. This is the terminology everyone used in January 1977 to describe how we operated. The President was the center of the wheel, with the various centers with power and influence all equally feeding into it. The '77 reorganization proposal called for Hamilton maybe not to take on the title of Chief of Staff, but to structure his unit as a Chief of Staff, and to be an administrative person managing the flow of information and trying to head off the decisions going to the President that could be settled at a lower level. That was consciously rejected. Now, why, I don't know. But I do know it was proposed. I know Al [McDonald] did it.

**McIntyre:** Lance worked on the reorganization, and he may recall some of the specifics better than I do.

**Haider:** It was totally dependent on Lance to implement it. Lance would carry the water to the President.

**Harris:** Even after that, Al proposed to Hamilton structuring his office with the administrative support—administrative being a high enough level, deputies, special assistant or someone like—who could follow the paper, sniff out the potential disagreements, figure out which ones could be handled through negotiation, and limit the number of issues that became divisive before it was obvious. I know this was proposed. Whether it was written or not, I don't know. I do know it was discussed, because Al and I talked about it before he laid it out to Hamilton after Bert had left and everybody was still reeling from that.

**Young:** I'll pursue this a little bit because all of your associates have talked about not recognizing this until too late. I think that it's not much of a distortion of what they're saying to say that a reorganization should have had somebody like a Chief of Staff in charge of the office. All of them have said if they had it to do over again, that would be one of the things they would pay most attention to. My question is why was it rejected at the beginning?

**McIntyre:** The whole concept in the beginning was to abolish the imperial Presidency. The concept was that we are not going to have a White House operation that will shield the President from things he needs to know. Being shielded from information was one of the things that got Nixon into trouble. They did not want a strong person sitting there guarding the door when they wanted to have broader avenues of information coming into the President, so that he could get a wide variety of opinions and then make his own decisions. That type of decision-making process would give him all of the relevant facts and issues. He could then synthesize it and make a better decision than if you have one person guarding the door all the time.

**Jones:** Before you just made that statement, I was listening to the discussion on the Chief of Staff issue, and I put a note here on my pad that much of what was lacking was what Nixon had in [John] Ehrlichman. There was an awful lot of concern about establishing an Ehrlichman-type operation because that had left a very bad taste in a lot of people's mouths.

**McIntyre:** That was not the only compensation. The other decisions were made to de-emphasize the size and role of OMB. These were conscious decisions against which we had to fight.

**Jones:** That led me to a question that I had put down here. It's come up in several forms. It seems to me you've described with several different comments this matter of having no veto the first year, of the reorganization emphasis, and the cutback in White House staff not being a bad thing. Nobody pays that much attention to the White House staff. It all adds up to a President getting stuck with his campaign rhetoric. Some Presidents do, and some Presidents don't. My question really is, did this President get stuck with his own campaign talk, and was he the kind of President who felt, *This is something we really should go and do because I said we were going to do this during the campaign, whether or not it makes sense in Washington now that we've arrived on the scene and have learned some things?*

**McIntyre:** I think, in general, the President tried to carry out his campaign commitments.

**Harris:** I think, furthermore, he really believed it ought to be done. He absolutely believed that you didn't need a staff of five hundred people to run the White House. Now, why he believed that and from what he generated that viewpoint, I don't know, but he deeply believed that it could be done just as well with fewer people. I don't think the reason he did it was that he said he was going to do it. The reason he did it was that he felt like he was going to do it. We rolled up the twenty- or twenty-four percent reduction at one time, and he said, "Hell no, I said thirty." We went back and had to find four or five more bodies and jobs to get rid of. The issue was that he was going to cut it back by a third.

**McIntyre:** Herky's right. He really did believe in it. He felt strongly about the commitments he made in his campaign. He tried to keep his campaign commitments to the extent that they were, in his mind, still justifiable.

**Jones:** Did these commitments come to influence the way the structure developed in those early months? Did you see that reflected in the way the office was set up?

**McIntyre:** Well, I saw some of them trying to abolish the Presidency. That was certainly a conscious effort that translated into how things were structured, and was done with purpose around the White House. Some of their early efforts to get rid of the color TVs in every office were implementation devices of the broader policy of trying to say, “The White House has got to have its needs pared back. We can have some efficiency in the White House.”

**Harris:** There’s one point about the Chief of Staff that I don’t know whether we’ve made today, or whether anyone else has made, which is the issue of personalities and the nature of the people who would be under consideration for the job, and the problem of the orientation of the most obvious candidate not being an Ehrlichman type—or for that matter, even a Dick Cheney type. The Chief of Staff job is a high-level management job. It requires a level of discipline and a level of political sensitivity that is unusual to find anywhere, particularly in a political campaign staff. There was a personality that could have emerged and effectively have run that position in 1977. I’m not sure whether they finally made the decision—given all the pressing business of reelecting etc.—for the position to succeed. There were many efforts made in coordination and synthesis of ideas on the way that would start out. The Cabinet used to have Cabinet representatives. I don’t know if you all have run across that one or not yet.

**McIntyre:** We had Cabinet meetings every week for a while.

**Harris:** I know, but I’m talking about the sub-Cabinet group of representatives who were supposed to go and get the gospel according to Hamilton. Whatever we called it, I think it was a Cabinet meeting. I was designated representative from OMB, and there were others around there from other agencies. That was an effort of trying to pass back the gospel of what you’re supposed to do and to deal with these problems. We talked earlier about differences of opinion and the public arguments.

In all honesty, I’m not sure that in January of 1977 when we took office there was a person on the White House staff from the group that might have been considered who could have assumed the role of Chief of Staff. Bert was not on the White House staff. He had the abilities to have done it, but I think he would have been disinclined to do it because he would run headlong into some of the personal relationships that would have just disemboweled a Chief of Staff at that juncture. It would have been tough, given the personalities and the history of the relationships, to come up with a person for the job. I’m not sure that even if we had thought it was a good idea, it would have worked. Everyone I’ve talked to in the administration—at least towards the end—agreed that that was something we should have done. I don’t know whether or not you’ve dealt with the issue of personalities.

**Petkas:** Don Haider probably remembers better than any of us how the long, drawn-out process of organizing the EOP [Executive Office of the President] after the election contributed to this. Was this a failure to choose someone?

**McIntyre:** No. I think it was a combination of a desire to diffuse power in the White House and to avoid some of the mistakes of the previous administrations, mixed in with a collegial atmosphere that developed among the top advisors to the President. It was more than any prolonged organization of the EOP.



**Mosher:** I've heard a number of former Directors of the Budget say that if you do have a Chief of Staff, he should not stand in the doorway before the Director of the Budget. In other words, the Director of the Budget, in addition to a Chief of Staff, should have access to the President. Would you agree with that?

**McIntyre:** I think that all senior staff people ought to have access to the President. I don't think the President ought to create a whole lot of senior staff people. Those that he does create should have access to him, not necessarily by just picking up the phone and saying, "I'm coming to see you." But there ought to be some opportunity for those people to see the President and express their point of view. All Cabinet officers ought to have an opportunity to see the President, and I do think the Director of OMB ought to have access to him. I believe in giving people responsibility, telling them what you expect out of them, and then holding them accountable. If they fail to perform, I believe in firing them. That's a hard theory to put into practice in the government because politicians don't like firing people.

With that kind of philosophy, I believe in delegating a lot of responsibility, much more than was delegated to me. The current administration has delegated a tremendous amount of responsibility to the Director of the Budget, and it ought to be that way. That way, your Budget Director and other Cabinet officers can serve as lightning rods for the President. The President doesn't get blamed for all the hard decisions that are made in the administration. With that kind of philosophy, I believe that the Chief of Staff should not stand in the doorway. The access to the President has to be, or should be, broader than just the Chief of Staff and the Director of the Budget. But I don't think your Director of the Budget ought to be blocked at all in getting in to see the President.

**Thompson:** This continues to bear on the Chief of Staff issue, but it also goes back to Jim's earlier question about speaking with many voices rather than one voice. Dean Rusk, when he was asked about Andy Young, said that he agreed with many of his points of view and admired him as a person, but Andy Young had the misfortune of having never worked for a boss. As you go down the list of people in the field I know a little about, Zbig [Brzezinski], Sam Huntington, Hodding Carter—the whole foreign policy group who chose to speak on issues—had never worked for a boss.

**McIntyre:** That's probably why Cy had such a hard time. He had worked for a boss before.

**Thompson:** Is that connected at all with this? Is the fact that you couldn't find a guy to do the coordinating job at all related to the fact that you did have a collection of individualists?

**McIntyre:** Let me clarify that. We didn't look for a guy to do the coordination job initially. There was, as Herky said, the "spokes feeding into the President" concept, and the coordinating was done by a fairly junior White House official who ran the paper flow in the White House.

**Harris:** He was better at saying no than anybody over there. More effective, too.

**McIntyre:** That's right. But any idea that there was an attempt to find somebody is wrong. There

was no such attempt initially. Now, there was some thought in the summer of '79 about the need for a Chief of Staff, but here again, I don't think there was really any serious thought given to it going beyond naming Hamilton as Chief of Staff.

**Harris:** You mentioned a personality issue. The criteria used in the selection process depended on the types of experience of people in very high positions.

**McIntyre:** I do think that there was somebody in the administration who would have made a good Chief of Staff. There are a lot of people who would disagree with me, but I think Griffin Bell would have been a good Chief of Staff. He would have had no hesitation in telling folks to shut up. He would have had no hesitation in telling them that they were crazy as hell on something they wanted to do, and not to do it. He would have had no hesitation about firing some people. There are maybe some other reasons why he might not have been the best Chief of Staff, but I do think he's the kind of person who would have been a good Chief of Staff.

**Kettl:** It was said at one point along the way that Jimmy Carter was really his own Budget Director, and that he took an amazing pride in concentrating to an extraordinary degree on making budgetary decisions on very fine points of budgetary management. There have been a couple of suggestions about why it is that he concentrated so much on detail. At first, that's the way he tried to learn about what government was all about. After he learned during his first year, he didn't concentrate as much on it later. For the first year or two, he studied the budget as a way to educate himself about the government.

Second was—as you suggested this morning—his preference for making decisions based on large quantities of paper and oftentimes very detailed decisions. A third suggestion was the lack of the Chief of Staff or any kind of firm staff mechanism that would channel some decisions to the President and weed other decisions out. Would you talk a bit about that and also about how Carter's penchant for making decisions in detail may have changed the Presidency?

**McIntyre:** I think it's an accurate statement to say that for at least the first year Carter immersed himself in the budgetary details. He did that when he was Governor. He set basic overall policies. We tried to make the budget presentations within those overall policies, and let him make—at least in the last three years—those decisions we felt were of a Presidential nature. During the first year, he immersed himself in a great amount of detail.

The last three years of the administration, he delegated more and more of that decision making back to the OMB. He began to focus his attention on the bigger issues, as opposed to trying to immerse himself in details about the various functions of each agency. In the spring of the last three years, we would try to set the overall objectives for him. Once he gave us the basic policy direction, we would spend the summer trying to focus our attention and that of the agencies on the specific issues that he indicated he wanted to address in the fall budget.

After that, I tried to make all of the decisions, with the exception of those decisions that I called Presidential decisions. They fell into two categories, either big money decisions or decisions involving a specific change of Presidential policy. Usually the things that fell into the latter category were housing programs, jobs programs, and new initiatives like the urban policies

proposals. Those were changes in Presidential policy. The big dollar decision items were things like the weapon systems, airplanes, ship building program, and MX missile. In some cases, we would take to him a level of funding question on grant programs, like UDAG [Urban Development Authority Grant]. Other than within those two general areas, during the last three years, most of the budget decision-making process was mine.

The real problem we had in the budget decision-making process, again, was the schizophrenia in the administration over what direction the budget should take. You had everybody from the Vice President and Eizenstat on one end of the spectrum to me on the other end of the spectrum saying what we thought ought to be done. Again, it was that “spokes of the wheel” process where Jack Watson—who represented the special interests of especially Governors—was in there arguing what the overall fiscal policy ought to be. As a result, the President got strung out because he had such a wide variety of points of view.

Carter had to come up with the lowest common denominator. So, no clear-cut policy evolved. That was why some people said that he continued to make the budgetary decisions. We tried to get him to make policy and let us make the specific decisions. The policy was never set in concrete because he constantly had people going back to him trying to undo the decision he had made.

**Harris:** If someone disagreed with a decision made with others present, when everyone would walk out of the room, that person would walk out one door, around the other and go right back into the Oval Office to have it out with Carter. There was an effort to reduce the level of influence of OMB. One of the ways some did this was by reducing the number of decisions and directors authorized to us. The number of appeals the first year was tremendous. The number of appeals the second year was less, and the third year was even less than that because people knew about where they could go.

The President did indeed enjoy the budget. I sat there through I don’t know how many hours of decisions he was interested in. He learned about and was very interested in the issues. There was also a subtlety converging upon him so that they could move OMB off its position further to the left or right, or whichever the case may be. That was a way of doing it. Again, part of the subtlety was to diminish the role of OMB, because in the previous administrations of Nixon and Ford, it had been perceived as the ultimate enemy by the Democrats on the Hill, many of whom populated the agencies of our government or our administration. And I don’t know how many times Jim and I responded to the charge that everybody in the OMB staff was a holdover Republican. I understand now that the new people are having to fight the allegations of the OMB staff being holdover Democrats, so it’s a common analogy.

**Jones:** They must be doing something right.

**Harris:** That’s right. The first year of Jim’s management of the agency began with the ’79 budget?

**McIntyre:** It was calendar ’78, fiscal year ’79.

**Harris:** That first year there was a lot of testing going on. That was part of the process. Jim was in there on pins and needles because he was trying to get confirmed. He was the acting OMB head for a four-month period.

**McIntyre:** I had to step on every Congressman's toes. When you're putting a budget together, and you've got to be confirmed, that's quite a sensitive position to be in. It's not one that I would recommend to everybody.

**Young:** I think you said earlier that President Carter said at the outset that he wanted a balanced budget.

**McIntyre:** Yes. That was one of the three principal campaign promises.

**Young:** Yes. Should we understand anything more about why he didn't get it?

**McIntyre:** That's a very important issue.

**Young:** You had a long time lag. He started out under economic conditions that changed from under you in midstream. He was committed to that quite independently. The downturn of a soaring inflation rate was one of the three main reasons why there was so much trouble.

**McIntyre:** First of all, 99.5% of the people in the administration did not believe a balanced budget was important. The half percent are sitting in this room.

**Harris:** Well, there are several more.

**McIntyre:** Were there a couple more?

**Ooms:** Late converts.

**McIntyre:** Most of the people, particularly outside of OMB, felt that a budget deficit was irrelevant. Balancing the budget was symbolic. Not many people gave any real credibility to the President's commitment to balance the budget. He was absolutely, flat-out committed to it to the last year. Right through his administration he wanted to balance the budget. A number of things occurred along the way that kept us from doing it.

First of all, the performance of the economy had a significant impact on our inability to balance the budget. I can't blame it all on the economy as such, because we did some things to affect the economy. For example, we didn't recognize the threat that inflation posed to us in calendar year '77 and the early part of '78. We didn't recognize the effect of some of our actions. I'm not saying we didn't tell people the effect of it, but sometimes you can tell somebody something and they still don't understand it.

The Farm Bill had an impact on subsequent future years. Setting the goal of adding seven hundred thousand CETA positions made an impact on the budget. It took me four years to get us off of that commitment to such a high level of public service jobs. The fact that we would

commit ourselves to four hundred thousand units of public housing in the amended FY78 budget had an impact. It didn't cost us anything the first year, but the second, third, and fourth years it began to show up in the budget, and then it was beyond our control to do anything about.

There were a number of decisions that were made early on in the administration that had impacts in '79, '80, and '81. We could have and should have recognized and done something about them earlier. Disagreeing with my esteemed economist back here, and not being an economist, I probably don't understand what I'm talking about, but I still think that our little stimulus program was one of the most significant things that we did to undercut our ability to balance the budget. A couple of other things: We did get hit by a streak of bad luck. I mean, I don't care how you characterize it. It was bad luck. The oil price increase in '79 was one.

**Ooms:** The oil crisis began at the beginning of '79. Iran fell apart at the very end of '78.

**McIntyre:** That really did hurt us. If we'd had a little good luck there and a little better luck with productivity, we would have come much closer to balancing the budget than we did. In the end, the economy really eroded some of our efforts. As Vance said, in fiscal year '80, over 50% of the increase in the budget from the time we presented it until the end of the fiscal year was due to changes in economic conditions.

**Ooms:** Let me make just two points with respect to the difficulty of the problem. First, I should say something about my perspective on the press. It's a terrible mistake at any point for a President in the campaign, or during his early administration, to commit himself to a budgetary balance per se. That seems to me to be very imprudent. Reducing deficits, yes, fiscal restraint, yes, reducing spending. I believe in all those things. I also believe deficits ought to be lower, and I'd love to see us run a budget surplus if we could do it, because we need that addition to national savings to get the investment and productivity growth we want. So I'm not speaking as somebody who's soft on deficits.

But that goes back to the first point I made here this morning. The sensitivity of the budget to economic conditions over which the President has no control whatever makes a promise to balance the budget as one of your major campaign commitments sheer folly. It simply makes you a hostage—if not to fortune, at least to the opposition. Therefore, it's foolish to make that kind of commitment.

There are two aspects to the difficulty of the problem. The first one really had to do with the very early stages of the administration, when I was still up in the Senate. At that time—in early to mid-1977—the beginning of the budgetary debate was taking place. The question was whether the budget could be balanced in 1980 or '81 as the President had said. The economic advisors at that point were talking to the President. We on the Hill got wind of it second- or third-hand, the set of projections by CEA with respect to how you could balance the budget in 1980 or 1981.

It didn't take you very long to look at those projections to know the only way Charlie Schultze could get a balanced budget out of that was to assume investment growing at the rate that it grew between 1962 and 1967, which was the highest rate of the postwar period. If this was repeated, and inflation would come down substantially, then real growth would be higher than most

economists thought it would be at that time. The configuration was certainly within the realm of possibility. It was not incredible, but on the other hand, it was nothing on which anyone would have staked his political reputation or his political future, it seems to me. That was the first indication that you had a really structural budget problem which you could balance only by making some fairly strong assumptions about what was possible.

The other piece of evidence which comes up is if you go back and look at the fiscal '79 budget. One of the great ironies of the debate on the fiscal '80 budget was that it was motivated by the President's going on TV. He said, "We're going to get the budget deficit down to \$30 billion," and \$30 billion was a sign of tremendous restraint. At the time he made the speech, in late October of 1978, the fiscal '79 budget was just in process. The fiscal '79 budget came in at about \$3 billion below \$30 billion. It came in at about \$27 billion. The standing joke around OMB that year was that that was the year in which we were trying to get under a \$30 billion deficit. The fiscal '79 budget was largely in a context of pretty good growth, though not as strong had been hoped for. There was quite good growth during '77 through '79. The inflation problem had not really hit yet in the way that would impact the '80 and '81 budgets. Interest rates were not out of control.

**Young:** What were they about then?

**Ooms:** We must have been looking at something on the order of a seven or eight percent bill rate in late 1970.

**McIntyre:** That's what I was just thinking, seven to eight percent.

**Ooms:** We had a fairly favorable set of conditions, and yet we still had a \$27 billion deficit. We could have questioned it if it were likely that we could have gotten a \$27 billion lower deficit through attacks on discretionary programs. The answer is probably no. What I'm really saying in a backwards way is, to really have achieved budgetary balance, we would have somehow had to have had an administration that was prepared to launch the kind of massive attack on the budget that the current administration launched. You couldn't do that around the edges. You had to have an ideological commitment that went throughout the administration. We needed an agreement that would not only have put the President wholeheartedly behind it, but would make him feel politically secure by being wholeheartedly behind it. That was never in the cards.

I'm sure Jim is right that if we hadn't had the stimulus package, and if we had been tougher on housing and a number of these other areas, we probably could have gotten another five or ten billion out of discretionary programs. But I don't think budgetary balance was ever in the cards for our administration. Therefore, the President did himself a great disservice by committing himself in the '76 campaign and then again by getting on to it again early in 1980 as a final commitment, by which time the election, of course, was already falling apart.

**Harris:** Food stamp reform, black lung benefits, and trade adjustment assistance were three things that we did the first couple of years in an effort to meet constituency needs, which became huge entitlement programs that made up far more than that five or ten billion dollars in unavailable monies to balance the program. All three of the programs that were proposed have

now been shown to have been, in many instances, just fraught with fraud, abuse, and mismanagement, not because the intentions were bad, but because the controls were too loose.

That money has been wasted, and the programs themselves are in danger of existing no more than another year or two. They all had good intentions, but because of the incredible pressure and the constant demand of the Democrats to get some positive thing on the books to help constituencies, you've got black lung benefits of \$450 a month being paid to people in Pennsylvania today, for example, who worked a month and a half in a mine.

We had trend adjustment assistance where you had people who had been put out of work making more than they made when they were working. We had food stamp reform where anybody could walk in. We expanded the eligibility rolls from eight or nine million to well over some twenty-odd million people. Any effort to restrain that was perceived as being against our political base, and therefore wouldn't be received well. Those three programs did not get an adequate review and were forced up into the debate beyond the economic impact, thereby becoming a purely political discussion.

**Young:** I'm getting the impression that what happened was that—whether wisely or not—the President announced himself in the campaign a fiscal conservative, called for a balanced budget, and then the commitment fell totally off the agenda. I don't see any evidence in trying to get there, but all of the things that you've described point in that direction. Is that a wrong impression?

**McIntyre:** No, I think it might be the right conclusion, but for the wrong reasons. I don't think it ever went off the President's agenda. It goes back to this general feeling that while the President was a fiscal conservative, he also wanted to be like other Democratic Presidents and be remembered for expanding the assistance that government gave to people. There is, frankly, the inconsistency in our administration's economic policy. You couldn't have a huge farm bill, you couldn't have all these programs Herky mentioned, you couldn't have an urban policy that called for more spending, and balance the budget. You couldn't increase spending the way the President wanted to and still balance the budget. I don't think he ever gave up the ghost of balancing the budget. I think that he just pursued policies that were inconsistent.

**Harris:** That's Jim's point, though. The number of people who were committed to the balanced budget besides the President was very narrow.

**Young:** Well, certainly.

**McIntyre:** I don't think it was a conscious decision.

**Young:** His populist side took precedence over the fiscal conservative. There were very few people to push for a fiscal conservative.

**Harris:** There were a lot of other things. You had fifty-seven different pieces of paper and no summary sheet. After three years, when we finally got to the summary page, which was in 1981, it didn't add up. Oh, shucks, we had to do something about that. And we tried; it was too late at

that juncture. It was too blooming difficult politically to fix the trend adjustment assistance during the recessionary period.

**Ooms:** The other reason I think the link wasn't made is the way budgetary projections are done and have been done. They always tend to show that you can get the balance in another couple of years. They always tend to show that. Even—as they were under the Carter administration—if they were more realistic than they had been previously, because they had been. I mean, Alan Greenspan was running out five to six percent real growth rates back a few budgets before that. And so when any individual decision would come to the President, it would not be in the context of, “Mr. President, if you do this and another dozen things like this, you can never reach that goal.” The problem was that every time the President came back to look at a budget review, until the very end of the administration, he was always shown a budget that could still be balanced “out there” if the economy went right. And so it didn't seem to be terribly costly to concede on individual instances.

**McIntyre:** I thought you were going to make another point that would be valid. The President looked at his spending decisions incrementally. In other words, he'd get an issue paper, and the issue paper would basically be whether or not you wanted to adopt this program. Those of us who were fiscally responsible would be arguing against a very popular idea embodied in a new program or an expansion. We would be arguing against it to some extent on the merits of a program, but it's like any of those. You can never get good data to argue about a public policy position.

**Harris:** What was it that Bacon in the *Wall Street Journal* said on Monday of this week? If the President keeps this at OMB, we're going to lose. Every time we would argue a point like this, someone else would say, “Well, gee whiz, if we don't have that constituency, we'll never win.”

**Ooms:** “We'll lose the election.”

**Harris:** “Can't even get nominated.”

**McIntyre:** The point is that you would make your decisions about new programs incrementally, and the President would never focus on what that meant in terms of the totals. For example, the grain embargo that occurred in 1980 is three of the \$5 billion that Van referred to earlier that we actually added because of policy changes. That was a \$3 billion decision that affected our budget. Yet it was not argued in budgetary terms. It was argued in terms of foreign policy.

**Jones:** This all bears on the question I want to ask. But my question has to do with process. It really goes to this matter of your relationship with the President, his relationship with the lace merchants, let's call them, and your relationship with the lace merchants at the point at which they're coming in to say, “Mr. President, I have this fine program here.” They lay it before him. Where were you at that point? Did the President look upon you as someone he should clear that with in order to see what that would do to the budget? In turn, did you have a relationship with these merchants?

**Young:** Who are these lace merchants you're talking about?



**Jones:** The program pushers.

**Young:** I see.

**Jones:** Program pushers, the budget unbalancers.

**Petkas:** The senior White House staff and the Cabinet.

**Jones:** What I'm trying to get the picture of is where you fit into the picture in regard to this on a decision-to-decision basis, as well as the President's own relationship with them. He must have had some picture of what any one increment might do to the budget.

**McIntyre:** The President always would ask, "Has this run by OMB?" On numerous occasions, he would call me to make sure I had personally reviewed some of the recommendations. I don't recall, but there were maybe one or two occasions in the foreign policy area in the entire time where the President actually made a decision, called me up, and told me what the decision was before he asked me what I thought about it. In all the domestic areas, he first asked for my opinion. He made sure that issues were run by OMB, and if he had any doubt, he would call.

I can recall one time when we were trying to decide what kind of inflation rate we were going to allow. He called me and said, "I can't believe you agreed with this." I had agreed to a six percent inflation rate. I had argued it down from eight percent to six, which I thought was fairly reasonable. So he specifically called me and asked me had I agreed to it: "I can't believe you agreed to it."

Basically, he looked to OMB for an opinion. He did not always agree with us, and in fact, as I indicated, in the single-shot approach to decision-making, OMB was always at a disadvantage because we were arguing negatively most of the time. Most people like to hear positive things. They don't like to hear negative things. We were generally cast—because of the general nature of the proposal—into a negative position. I can recall on numerous occasions going to see the President about something and recommending he not do something, or recommending he do it a different way, and the President saying, "Jim, I agree with you, but I've got to do it this way." And he would tell me why. But in his gut he basically agreed with my fiscal position, I'd say on most of the occasions. He might have still gone a different way than we were recommending. In his gut, he basically agreed with us.

There were exceptions to that. Those were basically philosophical differences in social programs, which is this populist streak that came out in him. For example, I had no sympathy at all for public service jobs. I had seen them, I had used them as a state budget director, and basically, it was a substitute program. We hired college graduates to train them, got the federal government to pay for it through the emergency employment act program, which you may be familiar with. I argued that point very strongly. I was basically opposed. There was just a philosophical difference about whether those programs had some merit. I thought they were a waste of time and effort and money and didn't train anybody. That's one example.

**Ooms:** But you also had a very strong state and local lobby lobbying for them precisely because they were a substitute.

**McIntyre:** You not only had this problem of state and local lobby, you had a strong labor lobby, you had a strong domestic policy staff lobby, you had a strong Secretary of Labor lobby. Only the Budget Director is sitting out there saying, "Mr. President, this doesn't make sense. You can't do it." Well, you know you're overwhelmed when you've got everybody else and their brother going in there and saying it's a great idea.

**Harris:** Furthermore, there was a great feeling that OMB was politically insensitive and unaware. We didn't have any political intellect. Now, I never saw it written too many times in memoranda, but I know that it was clearly discussed and part of the effort that was made to undermine the restraint that Jim talks about. There was an orchestrated argument on the part of the lace merchants. They would strategize before the meetings. So and so would make such and such a point, and so and so would do this, and then at that time we'll bang on the table twice, and so and so will come in the door and raise hell and walk out and leave. It was an orchestrated effort to undermine us without ever attacking us for being politically unaware or unable or insensitive, but that would be the drift of the whole thing.

They'd say, OMB has this position, and we know Jim really in his heart didn't want to do that, but he's got to say that because OMB has to do that. We—the people who understand these programs and who are dealing with the people on the outside who benefit from these programs—know that this is important. OMB just hasn't seen it in that light. They've just got those old green eyeshades on again. The orchestration of this opposition led directly to the inability to slow down not only some of the programs, but to modify the growth and benefits when they were finally written into and submitted for legislation.

**Young:** So you were isolated in this by virtue of being placed in a negative position, presumably because you didn't have much of a constituency yourselves.

**McIntyre:** You had a lot of people on the Hill, for example, who talked about balanced budget. You had the Business Committee talking about a balanced budget. But it was kind of like the weather: everybody talked about it, but only a few of us tried to do anything about it.

**Harris:** They sure as heck didn't hustle any votes to stop any of these programs, either.

**McIntyre:** There's another very interesting point that I don't think we've brought up. It's so interesting it slipped my mind for just a second. For the record here, it's all tricks. It's come back to me. Often when we would begin to try to formulate a position on one particular issue, people in the administration who were afraid of OMB feared that our position would win. They would actually go to the interest groups and reveal all of the options and who was where. Once the interest groups knew, they would go to the press and give out the information, and we would see it in the newspaper. They would go to the Hill and give it to their staff men up there, and the Senator or Congressman would call the President before the President had even seen the option paper and start telling him why he understands OMB is going to recommend this and that the President shouldn't do it.

**Rhoads:** You mean people in the White House would do that?

**McIntyre:** Sure. And the agencies. The agencies, too. The agencies and the White House.

**Harris:** The greatest problem that we faced was a proliferation of copying machines. They were everywhere. They ran twenty-four hours a day. There was nothing that fifty copies weren't made of.

**McIntyre:** The point is that there was such an orchestrated attempt to keep the President from making his own independent judgment that it distorted the whole policy process in the Carter administration. Now, I don't know if you've gotten that from anybody else, but I feel very strongly about that. It would be interesting to get some comments from Don and Peter, who were outside of OMB. They were detached about that, but that was the feeling that I had as director. The President could not make an independent decision. Now, what happened as a result of that—and this is really the important point—is that Jimmy Carter could come out with a decision that under any other circumstance would have been received as a fair and generous decision, and be criticized on both sides for not having gone far enough on the one hand, or having gone too far on the other hand. Therefore, he was always in a position in his policy decisions of being in a no-win situation. That is entirely the fault of his staff.

**Thompson:** Why didn't he do something about that?

**McIntyre:** I don't know. I urged him on many occasions to do something about it. I urged him to fire somebody just for the sake of firing him, even if he wanted to fire me. I mean, I was not afraid of my job in the Carter administration. I knew the President very well, we were close personally, and I had no hesitancy. He was responsible for what was in the budget because he was the President of the United States. But I had no hesitancy in telling him what I thought. I did not always win out. I continue to believe had I won out most of the time, we'd still be in the White House right now, because I think we were giving him some straight advice—not only professionally and problematically, but politically—on what had to be done in this federal government. We were getting jerked around by this decision-making process.

**Young:** What you're indicating also is a real polarization inside the Executive Office.

**McIntyre:** I think that's right. Yes, I think there was.

**Harris:** The Roosevelt Room meeting of the winter of '78 or the winter of '79 was when we were really talking about spending levels. There was a private meeting in the Oval Office with you, Stu, and the Vice President. I don't know if you want to use it. But do you recall the instance I'm referring to?

**McIntyre:** Well, I recall several instances where we had to finally go in there, and I was outnumbered two to one.

**Harris:** This was a meeting that we had in the Roosevelt Room that became quite heated. We

got Rafshoon, Powell, and [Hamilton] Jordan involved. You may not recall it, but it was the kind of thing where we actually had to go on the offensive to try to round up some supporters. You were trying to settle an issue out before it got to the Presidential level, and a large group met of Cabinet types, sub-Cabinet types, senior White House officials, and people in support of that. Jim was holding a tough line, and literally, it was just an assault on that position. The issue was CETA job levels. Do you remember, Van?

**Ooms:** I was not at the meeting, but I remember the issue, and I remember there being some very heated discussions.

**McIntyre:** That was a big debate. That was the first year we made some reductions in the size of the CETA level. The Vice President and Stu were on one side, and I was on the other. The President split the difference on that.

**Ooms:** There's an interesting difference in political perceptions about how politics works, which goes back to Herky's remark as to whether OMB was naive politically. At the senior policy level at OMB—whether correctly or rationalizing our position—there was a very strong concern that the constituency politics that we felt were driving the agencies and some of the White House staff in many of these decisions were different from the Presidential constituency, which was much wider. The President's constituency transcended and was much broader than all of the various interest groups. The OMB was not only representing that constituency, but when it finally came down to an electoral issue for the Presidency, the OMB issue would serve the President very well. Fiscal responsibility, smaller budget deficits, controlling program growth, and all of that was very good political issues to run on. That was not the argument you heard from almost anyplace else in the government.

The argument everywhere else was as Herky said. Remember, the last one was the Louisiana shrimpers. There was an issue—which I won't even begin to try to remember or describe—that had to do with shrimp in Louisiana toward the end of the administration. I think it may even have been after the election. It must have been before the election because the argument was that if we lose the shrimp fishermen, we're finished.

**Harris:** The argument was made with passion and belief. Nobody was playing games. They really believed in that. If we didn't do this for that group, we would surely lose the election. We had an assembly of positions related to groups, but we never took the public as a broad group and reflected on the broad issues that we got elected on: reorganization, reform, and balanced budgets.

**Jones:** On occasions where the parts do not add up to the whole, there's a whole that can be considered that's not necessarily the sum of all these little constituencies.

**Harris:** And we could never satisfy the interest groups.

**Ooms:** Taking the polls of the Congress and of the lobbyists is exactly the wrong way to figure out what that broader constituency is.

**Young:** These struggles you mentioned over these things remind me of the fights at the Democratic convention when Carter was renominated.

**Harris:** The economic fights.

**Young:** And the groups dictating to him his budget commitments as the price for getting reelected. You're saying that this was happening all the time.

**Harris:** Constantly. You could never satisfy them because the President was never willing to go as far as they wanted. He just couldn't bring himself to throw it in. He would never go as far as they wanted money-wise, anyway. Therefore, whenever he did make his decision, it was obviously a decision that tilted in their direction, but they were so greedy that they would never accept the fact that they had won a major victory by having gotten anything. They ended up with a decision that went their way, but not enough, so they ended up just as mad winning as they would have been had they lost.

**Young:** And Carter got it both ways.

**Harris:** Absolutely. There was the perception of his being a big spender from the people who were looking at it from a broader viewpoint, and particularly the writers. He got no credit from the beneficiary groups, because their leaders were mad as the dickens. Instead of getting fifty dollars, they only got forty-three.

**McIntyre:** A good example of that is the labor constituency. I don't know of any President in recent times that would have been better attuned to labor than Jimmy Carter. That's my perception, anyway. Perhaps they did better under [Franklin Delano] Roosevelt, I don't know.

**Harris:** Yes, they did.

**McIntyre:** But I do know that Jimmy Carter was very perceptive to labor's point of view. Yet you would have thought in the election that he had basically been a Republican President, insofar as labor's concern in dealing with him. He got no credit for all the things that he had done to help them.

**Harris:** There was a time when they adjusted their position to come to our position to help us from having a problem. In other words, if we were taking a position on an issue that was important to them, I cannot remember a time that they would modify their position to come to ours to keep us from having to be in a jam.

**McIntyre:** But there's an important point about the way the administration was staffed that bears on that. Nobody in the administration was willing to get up and tell labor that they ought to shut up, that they ought to get behind this President and support him. Everybody was going on and saying, "Well gosh, Lane [Kirkland]. I tried hard to get everything you wanted, but you know the President wouldn't agree to all of it." They said that instead of taking the heat and saying, "Dammit, Lane, you got more than you needed and more than you deserved. Now get behind the President and support him. He's helped you." We didn't do that. That was true of all of the

interest groups. There was no effort by anybody in the administration. Nobody stood up and said, "You folks got more than you deserved, now get behind the man and help him get what he proposed."

**Young:** Do you think this is maybe one of the things the President had in mind when he mentioned single interest groups during the Farewell Address?

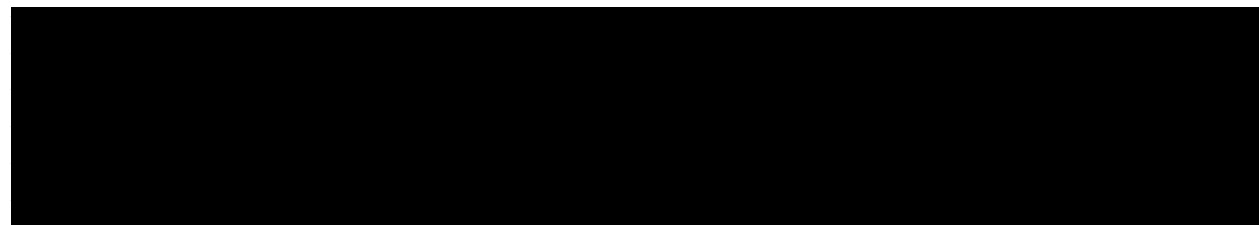
**McIntyre:** I think so.

**Rhoads:** I'd be interested in your views as to the kind of cuts you proposed versus the kind Stockman has proposed by Teddy Kennedy, who, while not likely, might propose some. To what extent is there pretty much agreement among people who want to make cuts on the domestic side as to where they make them? To what extent is it really an ideological question dependent on whether you're a liberal Democrat or Republican?

**McIntyre:** Well, let me answer that in two ways. First of all, I don't think Stockman made a single cut that we didn't consider. I don't recall one that he made that we didn't consider. Now, he made some that we would not have made, but at least we would have considered all of those. Most Budget Directors, particularly after they've been in office for a year, have a great deal in common in the way they approach the budget. First of all, they get in there, and they recognize that so much of the budget is actually beyond the immediate budget year's control. You can do a lot in the out years of the budget, but frankly, there's not much you can do about the current fiscal year. It takes a little while for people to realize that when they first come into the office. While I agree with the overall objectives, I would remind you where I stand on the Democratic spectrum.

**Rhoads:** That's why I wanted to get your views about Kennedy on the relative priorities. Admittedly, he's not going to be excited about the whole idea of a balanced budget, but he would have to decide where he would make cuts.

**McIntyre:** I would go along with the basic concept that Stockman and President Reagan have proposed, and that is trying to cut the budget and gaining control over a sizeable portion of the budget that has gone out of control. I probably wouldn't have made every cut that the Reagan administration has made because I firmly believe that the government has a role to play in society. So, on philosophical grounds, I would probably not have cut nutrition programs, because in the long term they have some benefits. I do think that eligibility in some of those programs perhaps should have been tightened. Certainly the eligibility for food stamps should have been tightened. I would have probably gone after many of the same program cuts that they have gone after, but there are others I would not have.



[REDACTED]

If you look at the budget, the three areas of the budget are defense, interest on the debt, and the Social Security and the health entitlement programs, Medicare and Medicaid. If you take those three categories, you're looking at almost 70% of the budget. It's very close to 70%. In the current fiscal year, if you take those three programs out, there's something maybe in the neighborhood of a hundred and fifteen—a hundred and fifty maybe—billion dollars left for the rest of the government. If you look at the budget and its growth between now and 1986, the amount of discretionary programs will decrease to about \$40 billion.

You don't cut very much in the budget because there's a great deal of discretion of what to cut right now. You have to approach the budget looking at the structural problem in the budget in terms of where you cut. And you really don't have much choice when you make a commitment to increase defense spending, to not attack Social Security, and you're certainly not going to fool with interest on the debt, because that would undermine the very existence and credibility of the government itself. Nobody in their right mind would start saying we're going to renege on the debt. So what's left? A very small slice of pie to fool with. I don't know if that answers your question.

**Ooms:** Let me make just one remark. I don't think Jim has done himself quite as much service as he should have on this one. I sat through directors' reviews at OMB for two and a half years, and there were a number of times that you made directors' decisions that I think were motivated largely by considerations of distributional equity. There really was a concern that if you were going to cut the budget, you somehow try and keep that from impacting most heavily at the bottom of the income scale. We weren't always successful. Obviously, you can't always target that way, and probably shouldn't have tried to in an extremely aggressive way. But there was more consideration given to that both by Jim McIntyre and by the President in their final decisions. I won't speak about whether that's true of the current administration. I have my suspicions that the political constituency to which their budget is directed is different from ours.

**Young:** You mean the Reagan administration?

**Ooms:** Yes. Even if we had done a good deal more cutting—and somehow had the political clout to do even more cutting than we did—I doubt that it would have fallen as heavily on the ten to fifteen thousand dollar-a-year family to working-poor group who are right in between the truly needy and the people who sort of make it.

**Rhoads:** There's no one over there at the White House to translate budget into policy, or policy into budget, generally speaking. In other administrations, sometimes the Budget Directors moved into the White House, which has presented problems. There have been other buffers and units. There have been other attempts to create other units that would try to integrate this. For example, if more people had that kind of policy before, why did these other units dissipate and not pick up the slack? Was it the conscious effort of the White House staff that preempted their turf?

**McIntyre:** I'm not sure I understand the question. Why didn't the Economic Policy Group—

**Rhoads:** —take up the interrelation of the policy questions and the budget groups, and play them out in a different arena so that the Budget Director wasn't always the bearer of bad news, or the one who had to make this translation?

**McIntyre:** I'm not sure. In the first half of the administration, the Secretary of the Treasury was not as concerned as he became in the last few months about the deficit. There was a tremendous transformation. I got some real support when we were trying to get the deficit down in the last couple of years in the administration. There was just a general attitude of a lot of the other economic team members during the first couple of years that the budget deficit was not that important. What's important is to start bringing the deficit down.

As you recall, in '76, we had the historical high of a \$66 billion deficit. The whole effort was to start getting the budget deficit to come down, with the eventual goal of balancing the budget. And the emphasis was more on getting the deficit down than it was on a balanced budget commitment. I can't explain why it wasn't all put together somewhere and why we didn't have greater support for the program. I hesitate to name names in this situation, but I remember on numerous occasions where we would go in and some of the President's other economic advisors would be for going along with a new program. They'd say, "Ah, it's a good thing. It's not too bad." Those kinds of marginal or incremental decisions got us into trouble at the end.

**Rhoads:** The domestic policy staff in the Ford administration was almost completely out of the loop; it was just simply to save face, to keep them in the loop. For some reason, this staff just seemed to be there on opening day of the baseball season. It had 45 members, half of whom were assistant directors. The other half were deputy assistant directors. How did this evolve? Did people just come in and assume places? How did this decision making happen to just come into the loop and play such a prominent role the first years?

**McIntyre:** There was a conscious decision made prior to the Inauguration to de-emphasize the role of OMB. I don't think the President participated in that decision. I don't know whether he participated in that decision, but I do know there was a conscious decision among some of the people who later became senior advisors to the President to de-emphasize the role of OMB. Mr. Lance never worried about OMB's institutional role because, as Director, he always had access to the President. He could weigh in on the important issues. As advisor to the President, he was never left out of those issues.

OMB, as an institution, was cut out of the process in the beginning. As Herky said earlier, most of the career staff at OMB were viewed by non-OMB senior people as being holdover Republicans. The staff did not trust them, and they did everything they could—I realize I'm used to the editorial "they" now—to cut OMB out of the process. As a result, the domestic policy staff stepped in and filled the void initially. It took me about a year to recapture that turf after I became director.

**Harris:** The point you made is exactly correct. Bert Lance did not feel any need to weigh in or slug it out for OMB's territory. He felt that his personal relationship with the President was of such nature he didn't even worry about things like that. He perceived that that was sort of silly to worry about it. As long as he was there and had the kind of stick he did, that was correct, because



when there was something of importance that Bert perceived, he'd slip over there about six thirty in the morning. The President and he would talk about it and figure how to work it out. Then all of a sudden, it would take effect.

However, by not weighing in during those early days, we did lose an institutional and historic role. A feeling grew up among some elements within the White House and agency groups questioning the right OMB had to set policies: "They're the number crunchers." There was a feeling that there was no place for OMB in policy determinations, even though policy determinations affected spending and other elements of the government.

When Burt left, what Jim said is exactly right. It took about a year to reestablish our position, and it was a hard, tough effort to reestablish that position. It finally worked out pretty well, but that's how it came about. There was a conscious effort to diminish Bert's own relationship with the President, which was as substantial as whatever you read in the paper.

**Rhoads:** My last question is about multi-year budgeting and the defense question. Some people have said that you really are sensitive in the budget office because of all the years' spendings, about major defense programs like the MX and the B1. Your inflation estimates were way low. You can see the extent to which it's then loaded. The costs are all out there. Is that fact a deterrent in budget-making? We are engaged in acquisition of major new defense systems that have four- to six-year spendouts, in effect.

**Harris:** Is it likely to develop?

**Rhoads:** Is it likely to deter Presidents from doing this? That's one area you really do have a multi-year sense, sort of a multi-year budgeting. You don't have that multi-year sense very often in the growth of these programs. You're certainly very conscious of it in defense programs, which have such big-ticket sensitivity. Has it become a major deterrent for any President in getting into new defense systems, which is perhaps better for their successor since the former President takes all the heat during their term?

**Harris:** I hadn't noticed it myself in recent decisions with the administration. They approved of MX and B1 all in the same week.

**Rhoads:** All they're doing is announcing it.

**Ooms:** The MX decision might very well have some of the characteristics for suggesting it.

**Rhoads:** Do you feel this? The defense thing was one thing you did look at the multi-year on. That was always brought to the President's attention.

**McIntyre:** I'm not sure it was a deterrent in getting high cost, big-ticket items. It at least gave us an opportunity to display what the final decision was. My personal opinion is that multi-year budgeting is one of the things that needs to be done more to control the budget. It's one of the process changes that I would highly recommend as one way to get a handle on budget spending, particularly in the out years. If it were properly done, then it would be a deterrent, probably not

in the defense area as much as in the domestic area. Some of the decisions the President has made now are not made realizing their impact on future years.

**Thompson:** This is not meant to be provocative, even though it may sound that way. Thirty years ago, I was sure I knew the difference between administration, politics, and policy. Leonard White used to draw a line down the middle of the blackboard, and on one side was administration and management. On the other side was politics and policy. [Arthur] Mosher and others have taught us that both continually cross the line, and it isn't as simple as that line, if White really meant it. All this sounds like we've moved, as we have in other areas of politics, into a better perception of reality, a better organization of government. Yet there are some disquieting problems about it.

What was your conception of the role of OMB, and your relationship to policy and politics? This does seem to come up. You've mentioned constituencies. We had a speaker earlier this week who lambasted OMB because he said it was like playing double jeopardy. He said every time the Defense Department thought it had debated out a defense issue and made some compromises, the debate took place all over again in OMB by people who he said had two characteristics that he criticized. One, they always made the hundred million cuts rather than the billion dollar cuts because that was easier to get a hold of, and two, he said they weren't really defense experts. Somebody might say on constituencies, maybe that's the area where the Jordans have put all their chips. Is there any dilemma or problem for an OMB operation in the separation that once existed, but now doesn't exist? Do you play in defense and policy determinations and politics a fairly definite policy-making role, or don't you?

**McIntyre:** Well if you don't, you're not doing your job, in my judgment. I would admit that people have legitimately differing points of view about whether OMB should be simply an analytical agency with blinders on. It's like walking down the road and not seeing the car coming from the left. You get hit and get killed. You're just as dead as if you'd been aware of it. The same thing happens in a debate about whether OMB ought to be in the game of helping develop policy. OMB has to be in that game; otherwise, you can't make an intelligent decision about the allocation of resources.

If you only had to worry about the allocation of resources within an agency, you could perhaps legitimize the argument about not getting involved in defense policy. But if you're concerned about the allocation of resources not only within an agency, but among agencies, then I don't see how you can expect anybody to intelligently make that kind of recommendation to the President unless they have some knowledge and expertise and are involved in the debate of the issues. I don't think you can be involved in debate of those issues unless you're politically aware—as well as administratively aware—of the implications of your policy recommendations.

I've found—and this is a pet peeve of mine—that too many “public policy experts” who come out of these various policy groups have no idea how you implement a policy decision. In other words, what's involved, what are the mechanics in carrying out a national health insurance program? How do you do it? What are the mechanics of it? Are you going to use a state agency, and if so, are the states geared up to deal with it? Where is the accountability in the administering of the program?

When I was involved in the federal government trying to select my staff, people had no idea of the impact—from the administrative point of view—of their decisions. Don Kettl and I have talked about this particular subject matter at length, and hopefully I've had some impact on the public policy schools with that unabashed announcement of bias. Business schools teach people how to make decisions and execute them much better than the public policy schools do. And the reason is that in business you have to say, "Well, how do you market that decision? How do you have a distribution process to deal with the product? How do you distribute the product?" You have to think through what you're doing.

I come back to your question about the line. OMB has to get involved in the development of policy, it has to get involved, it has to understand the politics of its recommendations, it has to understand the implementation of those recommendations. If it doesn't do that, then it does become a fairly esoteric green eyeshade operation, as some people—particularly in the defense area—would like to see OMB. They say OMB should just be a numbers cruncher and not question their decisions, particularly procurement and strategic decisions. I wouldn't have the job if that was all I had to do. If I couldn't play in the policy game, I wouldn't want to have that job. I don't run adding machines and calculators. I don't want to. That's how I view this OMB, and that's a little bit of McIntyre philosophy about it.

**Young:** Jim (McIntyre) mentioned in his opening statement this morning that he was significantly involved in defense and in foreign policy decisions.

**Kettl:** My question has to deal with your points of leverage over individual agencies and their budget requests. One of the big reforms that the Carter administration tried was zero-base budgeting. Could you talk a bit about zero-base budgeting, how effective you thought it was, and what happened to it as time goes by?

**McIntyre:** First of all, let me start off by telling you what zero-base budgeting isn't. Zero-base budgeting is not a process that you just plug into the machine and out comes the budget. Zero-base budgeting, from my perspective, is a management tool, it's a planning tool. It gives you a standard way to present information to the people who have to make decisions on the allocation of resources. The greatest benefit of zero-base budgeting does not apply to every function of the federal government, I hasten to add. We learned that right at the beginning.

It does not, for example, apply to the interest of the debt. There's no question, in my opinion, but that you're going to pay interest on the debt. It does not apply to some of the so-called entitlement programs. Basically, you have to go for policy change. It can and did point up the need for a policy change. One of the two greatest benefits that we got from zero-base was that it provided a standard format for submitting budget proposals to the Office of Management and Budget. This may astound you; it did me. Prior to the implementation of the decision package concept, there was no standardized way of submitting budget requests to the Office of Management and Budget. Some of them came in their entirety in the form of a memorandum. Some of them came in the form of individual requests. They dribbled in over a period of months.

Then you had a much more formal approach from the Defense Department, which is basically a

problematic ledger request. There was no way to find out actually whether you even had all of the budget requests of an agency. The fairly simple—but to me very important—aspect of budgeting that was accomplished by zero-base budget was the standardization of the budget request format.

Secondly—and probably the most important—is that it required agency heads to submit their priorities to the President. Before, you could never get an agency head to answer what he would cut out or what his priorities were. They'd say that everything is important. We forced the agencies to submit their budget requests in ranked form, and we tried to pay attention to that. Now one of the criticisms we received was that we didn't accept the agency rank. There's nothing in the literature of zero-base budgeting that says that a higher-level supervisor—which I considered OMB to be on behalf of the President—has to accept the rankings of a lower-level supervisor. So we unabashedly went about changing priorities when we disagreed with an agency head on them. Then if they disagreed with us, they could battle it out with me. If they disagreed with me, they'd go to the President. The significant thing is that it did establish priorities within the agencies.

Then we instituted another process that was very difficult to manage. Almost subjective in its handling was what we called the inter-agencies zero-base budget. We tried to make decisions in OMB among agencies with issues at the margin. We varied the margin. One year we took either a seven or eight percent zone, and we would take two percent of the things we gave agencies, and five percent of the things we didn't give them that they requested. Then we would go back and reevaluate those and say, "Well, some of the things we gave are of lesser importance from a government-wide point of view than some of the things we didn't give."

We would then make some adjustments among agencies in that fashion. I think that was helpful. It was very difficult to perform. The paperwork was enormous. The time involved was substantial, and I doubt that it would be carried forward by most administrations because it's very time consuming. The payoff is not that significant. It's on the margin again. There were benefits from it.

The concept of zero-base budgeting has been much maligned because it was seen and portrayed by some as some magical process in which all you did was punch the right button, and out came a budget ranking everything from zero to a hundred percent. That's not the way it was. It's not my concept of zero-base budgeting. It's not the way I employed it at OMB. We received some substantial benefits from it, and it was successful in its implementation and usefulness.

**Kettl:** Is the [Allen] Proctor perception right that by the end of the administration it had not been abandoned as much as swept away?

**McIntyre:** No, I think that's wrong. It had been incorporated into the system. It had been systematized like any other system.

**Mosher:** I heard a point just the day before yesterday that the Reagan budget instructions for next year are almost identical to what you did the last year.

**McIntyre:** Is that right?

**Mosher:** They did not use the same expressions.

**Ooms:** In fact, they announced specifically that they had changed it.

**McIntyre:** That's really a shame about our system of government, where things take on a political connotation, and you can't stay with something that's useful simply because of the political connotations.

**Petkas:** I have a couple of questions. In retrospect, what do you think of the President's impulse to reduce the size of the White House staff, in light of the comments that you, Herky, and others have made? Do you feel the same way about many of them? Was the constituency orientation of many of the White House staff the right impulse? I'm not talking about the battles that it generated during the EOP reorganization effort, but the general notion. One of the options that you all considered in the EOP reorganization was integrating the EOP staff in some way so that there was one staff unit to serve the President. How do you reflect on the size and complexity of the constituency relationships that are in the White House?

**McIntyre:** Well, I think whether you have 351, 375, 531, or 575 White House staff members is irrelevant. You need to decide on what style of management best suits you and organize the staff to meet that requirement. The question of the size of White House staff is somewhat different from my idea about one agency to serve the President. The White House staff really serves a different function for the President than the EOP agencies. They are the professional staff support agencies for the President, whereas his White House staff is his political and public liaison advisors. Those are his personal advisors. I would separate that staff from the overall basic policy and programmatic support staff of the EOP. In doing so, the numbers in the White House staff should not be an issue so much, unless it gets grossly out of proportion.

Looking specifically at your comment about the single EOP agency to advise the President, my personal opinion is that that's still a good idea. I've changed my concept of what the head of that organization ought to do. At first, I thought the head really ought to be the head of the agencies. Right now, I would say that if you were to have such an agency, the head probably ought to be the collector of information and a personal advisor to the President. He ought to have individual directors of various functions and responsibilities who report to the head of that agency. I would include in that the long-range planning for the President, I would include in that the size advisor to the President, I would include in that OMB, and frankly, I would even include the Council of Economic Advisors.

**Petkas:** That would include the domestic policy staff?

**McIntyre:** I would abolish the domestic policy staff and include that function as the long range planning function for the government. I'm not trying to suggest here we need a centralized planning function like totalitarian states, or even some of the parliamentary systems. I do think that the President needs some organization looking at the changes in demographics, what has taken place in our society that calls for changes in policies, how to help scope those policies out

and to tie them into the economics, maybe the scientific implications, and how to come up with a proposal to the President on addressing those needs. That still makes a lot of sense.

I understand the risks of concentrating so much power in any one individual other than the President himself, but, nevertheless, I think you have something like that going on basically today. Organizationally it's different, but you still have a lot of power coming in to one or two people right now before it gets to the President.

**Petkas:** That would leave for the White House staff a political or electoral function.

**McIntyre:** It would also lead to the domestic staff. I don't disagree that the President needs some special assistance around him to advise on domestic policy.

**Petkas:** But they wouldn't have large staffs.

**McIntyre:** They wouldn't have large staffs competing with the others, that's right. The President needs a few people around him with some good judgment and common sense. All they would do is go out and talk to people and find out what the people are thinking about in this country and around the world. They would come back and advise him on those things. These aren't people who are necessarily experts in any particular area of government. These are the people who've got the experience in dealing with other people and have sound judgment and common sense. That's what government is all about.

**Petkas:** The role of integrating the large political issues in the Carter administration—as we have identified—into some consistent pattern was, for whatever reason, not fulfilled, perhaps because of the inherent schizophrenia in the party and in the President's politics and in the people around him. There was one individual whose natural relationship to the President seemed to potentially satisfy that need, and that was Hamilton. He had, in the last analysis, the role of deciding how the 1980 election was going to be handled, and therefore how the political positioning of the President on all these issues we've discussed should be played out.

My question is, how did you conceive—or did others in the senior staff conceive—of Hamilton's role? How did issues like the schizophrenia get played out in your discussion in terms of the electoral questions? There was often a discussion about convention politics versus electoral politics. One group argued that convention politics drove us to the left, and the electoral politics drove us to the right. I wasn't a party to those discussions, and I don't have a sense of how that came together, if it did.

**McIntyre:** Well, I think there was some discussion about primary politics versus general election politics. There probably were two different strategies involved there. Those decisions were really discussed in the final round just before we would go into the President with a recommendation. Several of us would sit down—at least after Hamilton was actually named the Chief of Staff—and discuss the political implications of some of the decisions. On many, many occasions, individual advisors to the President gave him their thoughts about the political impact of decisions, either on the primary politics or general election politics.

I never had any doubt that Jimmy Carter would get the primary nomination, even after Kennedy entered the primary. Therefore, I thought he ought to concentrate all of his efforts on what I perceived to be the national issues: fiscal responsibility and reducing the role and the size and the scope of government. Those turned out to be the winning issues. They were not only the winning issues in 1980. I would remind you they were the winning issues in 1976. The only difference was a commitment to a specific reorganization in '76, and in '80 to a specific tax program. These are two principal differences in the winning arguments.

I don't know that there was anybody who really had an overall grand strategy created when we could sit down and talk about political implications of what the President was trying to do. In the first two and a half years of the administration, the spokes concept of everything feeding into the President was the approach. Then the last year and a half of the administration, we sat down as a committee with Hamilton at the head. Again, it was a collegial approach to trying to make decisions.

**Harris:** The early morning meetings were an attempt in trying to deal with the points you make. That is, how you get around creating problems through the day-to-day activities of those operatives of the President that could impact on the possibilities of his political future.

**Young:** The early morning meetings being the senior staff meetings?

**Harris:** We had so many of them. We had seven o'clock, seven fifteen, seven forty-five meetings, eight fifteen, eight thirty—you know, they met all over the place. Everybody was meeting, but nobody was making any decisions. They just met and talked. I quit going after a while, I got so sick and tired of it. This should probably be stricken from the record. I gather you all have been over and over these meeting subjects.

**Young:** It's just that there's so many of them. Dan Tate went to one set of meetings, and he didn't discover 'til he got out that they were held at seven instead of seven forty-five.

**Harris:** There was discussion, though, about problems. Oftentimes it was an informal discussion about primary versus general elections. Frankly, I never heard any discussion of the general election and the impact of decisions in the primary and how they might affect the general. I left there in August of our last year, and for all practical purposes I was gone on July 1. I was never part of the election political process, so I wouldn't necessarily know. But I know early on there were discussions about the impact on this or that. It appeared obvious that Kennedy pushed Carter clear to the left, and kept him there during the general election. Some of the comments that enhanced Carter's posture were further left than he really was. These damaged his prospects for reelection.

**McIntyre:** One thing could have been done, and probably should have been done, to help us on several fronts. Political issues really weren't a concern of the senior staff, except in the sense of, "Who are we going to make angry with us?" It was not in the sense of what is the overall, but the President's politics. That was particularly true in things like legislation that would go over for the President's signature. You'd have people just go up the wall saying, "Oh, we can't veto that bill because that will make this group mad with us. We'll lose the election."

**Ooms:** They were still using that same excuse in January. And what's worse, they were using it effectively.

**McIntyre:** Hamilton probably should have been designated political advisor to the President, just like Lyn Nofziger was to Ronald Reagan, and given some portfolio. Then a Chief of Staff should have been appointed to run the White House for us. We would have been better off. We could have coordinated the politics, and we could have coordinated the basic decision-making processes. Not everyone agrees with that. But that would have been my solution to the problem. I don't care how you look at it, there was a basic collegial attitude that the President was not going to violate in his senior staff. Hamilton, Jody, Eizenstat, Zbig cooperated in a collegial approach to running the White House. To me, it was a real problem.

**Petkas:** We could repeat the same kind of concerns as we've talked about in terms of the budget in the reorganization area, where OMB had a slightly different posture. The issue was always who's being affected by a decision or what were the constituencies affected.

**Harris:** The question was not, "What's good for the whole body of two hundred and twenty-five million people?"

**Petkas:** Or for the President.

**Ooms:** That's right. Or "How do we help the President achieve his objectives?"

**Harris:** That was the dog.

**McIntyre:** That's Herky's word.

**Young:** In the beginning, Jim, you said that one of the three decisions that had been made at the outset was to transform the congressional relations shop in OMB in order to better look to reorganization and budget problems. To what extent were the congressional liaison staff in the White House involved in any of these issues, and did you do those issues all alone? Did you work with them? Were there turf problems? What other groups in the White House, like the public liaison staff, might you have been concerned with at some point or another?

**McIntyre:** Without appearing to be flippant, the answer's yes. In all of them. There was coordination. We tried to use OMB's congressional relations staff and the White House staff as a unit on trying to accomplish the President's objectives. In the course of doing that, we ran into some very significant turf problems. They were very jealous of Mr. Harris, who happened to be pretty effective on the Hill. We ran into some very serious problems about what was OMB's role and if this was a White House project. Is this an OMB project? Projects given to OMB were intended to be those things that everybody else thought were dogs and didn't want to handle.

On good things, we had plenty of help. It got to the point toward the end of the administration that economic policy became the only game in town. Everybody, including the White House congressional staff, jumped onto the bandwagon and helped us. There were instances where



there was close cooperation. There were instances, frankly, where there were some turf battles and problems. Herky was not included in any of the meetings. We had to make an issue out of getting him and his staff involved in some of the strategy sessions that went on.

It goes back to that general feeling that, “Well, there are a bunch of Republicans over there at OMB, and they’re trying to destroy the President.” Toward the end, the suspicions had largely dissipated. We’d begun working together pretty effectively, and there was a great deal of cooperation at the end. In fact, I was asked to participate in a lot of the strategy sessions when the congressional relations people would sit down with the people from the Hill and decide what legislation could be brought up the following time period and what the strategy would be. I was actually asked to participate, as was Herky, in those sessions towards the end of the administration. It was a strained relationship with the White House. It had not occurred in previous administrations and just had to evolve.

**Young:** It really didn’t begin to work right from your point of view until the economic policy became the focal point. The congressional liaison staff didn’t talk about OMB, or you. They had considerable problems of their own. Sometimes they would read in the *New York Times* about these problems.

**McIntyre:** I did something else. I started inviting them to our decision-making meetings so that they would feel like they had a stake in the decision once it was made rather than having to go out and actually do the dirty work after somebody else had made the decision. I brought them in and let them participate in the decision-making process. Once we made the decision, everybody was committed to it because they’d had their chance to have their say. One of the things you have to learn from experience is how to get people committed to support the position once it’s made.

**Harris:** In December of 1978, the President signed off on the White House budget task force. I don’t know whether you all have heard that term before. I have the memo that authorized such, and which outlined all but the principal goals, at least on the Hill: Speak with a coordinated voice as it relates to the budget. Do not try to usurp or take away from the departments their natural role in defending their budget. But at least the White House level would try to contain the discussion on the budget in one place.

The turf problems that may have existed may have come about as a result of this. Before this existed, we had people going up there saying one or another thing, and we would interpret them as speaking for OMB. They would interpret us as infringing on the White House role to speak for the administration. They’d ask, “What is OMB doing?” I don’t know how serious the turf problems were. In retrospect, they don’t seem like anything. But then, in the middle of one of these things, it looks like the world was more difficult than it probably really was.

We formed the budget task force with a memorandum from Frank [Moore] and Jim to the President, recommending this as a way to speak with one voice on budget issues, to solve the dilemma that we had recently gone through, and to try to use detailees from departments to work with certain functional areas. We had Human Resources, Natural Resources, Energy and Natural Resources; we had Defense and one other area using these people as shock troops to go to the

Hill and represent the issue. They worked with the various OMB people, the White House domestic policy people, and the departmental people to be sure that we talked about the President's budget consistently.

**Young:** Did it work?

**McIntyre:** Yes.

**Harris:** I don't think I'm the judge because I'm the father of the idea. I fought the battles.

**McIntyre:** It not only worked, it worked exceedingly well. Frank was extremely pleased with the way it worked. It got folded into the overall White House congressional relations process. And one final point about that. I want the record to be clear that as far as I was personally concerned, I never had any turf problems or any kind of personal relations problems with the White House congressional relations. I attribute that to the fact that Frank and I knew each other quite well before we came to Washington. We had the utmost faith and confidence in each other. There were never any turf problems between us in that sense. Any time there was something that I thought a comment had to be made about, I had no hesitation in picking up the phone and talking to Frank. We had a good relationship, and there were no turf problems at the senior level of which I know.

**Harris:** The issue on the budget was different from any other White House issue. OMB had had a public relations role, a press role, and a presentation role totally separate from any other White House-oriented policy staff. It's obvious to you all that there's nothing more relevant to any President than the budget. Yet, we had always had this outside effort. As this became a bigger and bigger issue, we tried to fold all of these activities into one. We brought these detailees to work for Frank Moore and be on the White House CL [Congressional liaison] staff, not OMB. White House CL had its detailees working on the budget. The reason was so that it wouldn't appear that OMB was trying to become even more powerful and get into more people's business than it had been. I didn't like this at first because I felt like they ought to be at OMB working for OMB. I didn't feel any discrimination. I felt that we'd done well on the Hill. In retrospect, that was the right way to do it.

That's really the way Reagan is doing it. The budget issue on the Hill has been handled by the White House, not OMB. OMB is very much involved in that. I guarantee you Stockman and his people are involved in the process, but it's perceived as a White House effort. This makes the program much more sellable, particularly when it's a close call. If it's OMB versus the world, you can bet your life the world's going to win out on a close vote. If it's the White House versus the world, the White House has got a decent shot regardless of who the President is. So we settled that difference.

I coordinated the activities and gave the OMB viewpoint, to make sure that the policy, the procedure, the methodology of OMB was protected. I used the good offices of the White House and personnel jointly selected by Frank Moore, his staff and myself, to handle the various jobs. We had some little bumps along the way, but as Jim said, towards the end, this group became a very effective weapon for the administration on a broad array of issues, all of which revolved

around economic issues. Towards the end, those were the issues. They would help on energy problems and on other types of legislation that became important as we went along. It was a success, but again, I'm partial. I'm not sure I'm the best judge. It seemed to me that we got most of the things we wanted done, and we did so fairly efficiently. We didn't do as well as we wanted on defense, but they were just all in business for themselves.

**Young:** You mentioned this morning that you were significantly involved in foreign policy and defense decisions. We'd like to hear more about that, because that's not an involvement that one would ordinarily expect from an OMB Director. One more thing: What about public liaison staff? Were you ever involved with them? Was there any co-working there?

**McIntyre:** Are you talking about Jody Powell's operations?

**Young:** No, Anne Wexler.

**McIntyre:** Yes, we were involved a good bit in that. It was not an integral part of our activities. For example, Anne carried on a lot of activities that basically related to the strategy for dealing with certain organizations. We didn't necessarily get involved in that strategy, except as it related to economic issues, but often we would assist them when they'd have a group in. We would come over and talk to them about a particular issue that was in our areas of responsibility. We worked fairly closely with them in programs that they put on. Anne did a wide variety of things like bill signing ceremonies or getting people into the White House to sit down and talk in the Roosevelt Room. We participated in the sense of being contributors to the program.

**Harris:** It tended to move towards hot issues. If something was going through that was popular, it became very much interested in it at that time. When it fell from favor, they tended to move on. I think that's probably their appropriate role. They got deep into the budget activities in the winter of '79 and in our inflation task force. God himself was the guy who ran it; I'm not sure it was that level. The way it was described to me, it was one of those things that just grew in importance. We got immersed in it because this was when the budget task force was taking off.

The budget task force's role was defined as public presentation of the budget—the public being the public at large, the interest group presentations, and the congressional presentations. The task force dealt with outside elements that may have had an interest to the degree that we would try to present the President's budget in a favorable light. This conflicted to some degree with the role of the public liaison group. Add to this the inflation working group task force. All of a sudden, they decided that we had to sell our inflation program by a series of speeches around the country. The only hot issue of inflation was a restrained budget. All of a sudden, there were some born-again restrained budget believers all over the White House. We had an issue or two that came along then, but nothing serious. We got people out around the country speaking, and it tended to solve itself. Once we got to Bakersfield and nobody showed, it was finished under its own weight.

**Young:** It bombed.

**Harris:** No it didn't bomb. It bombed because we did too much of it. We tended, once we

decided to do something, to overdo it. In this instance, that was probably the case. But that was an area for that inflation working group. That is where we may have bumped into each other, but the task force basically adopted and followed the traditional role that OMB had managed on its own for twenty years previously as BOB [Bureau of the Budget] and OMB in presenting the budget to the press and to the interest groups.

Jim McIntyre started that for the first time ever. He had various interest groups in to meet with OMB prior to and during the presentation of the budget on their particular interests. It might be the Mayors in the morning, the Governors that afternoon, and then the roundtable companies. We did this, not for any other reason than that we felt like it. It was a natural thing to do. It evolved not as a courtesy or competition. It evolved because there was a demand for it, and we just continued that activity. So we did rub against them occasionally.

**Jones:** They all happened to be in town anyway.

**Harris:** When the budget is out, people like that are very close by. The budget has been a real hot issue.

**Jones:** Before we leave this subject of congressional relations and public relations, I'd like to ask Herky Harris about the congressional relations. After the reorganization battles early on, would you get involved with direct contact with the people on the Hill where you'd be working? Did you see chairmen?

**Harris:** On the issue of reorganization?

**Jones:** No, no, after that, more generally. When would it be likely for you to be working with people on the Hill?

**Harris:** Oh, I'd say sixty percent of the time every day that I was in Washington.

**Jones:** And on all issues?

**Harris:** No, I tended to stick to the issues that were of particular interest to OMB. My principal beat was the Budget Committee, the Appropriations Committee, and to some degree the Ways and Means and Finance Committees. Occasionally, for unusual circumstances, I would get drawn into and authorize a committee's action. There would be an issue that would be of particular interest where either we weren't being served by the department at hand or the department who handled it passed the ball to us. Sometimes Jim said, "Herky, go watch this because I don't think it's being worked right." Whatever the reason, I would get into that, but the lion's share of my time was spent in contact with the Appropriations and Budget Committee on both sides.

**McIntyre:** We did two interesting things from a congressional relations point of view with respect to the budget. First of all, we started working with the Appropriations Committees. Now this may sound like it's something that OMB congressional people should have been doing all along, but they didn't. Neither did the White House people. The Appropriations Committees

really had not even been introduced to people from OMB, with the exception of some of the technicians over the years. We started giving them some attention and working with them, and we found them to have some of the same goals with respect to the budget that we had. Obviously, we also initiated working with the Budget Committees, but as I said, they had just really come into existence. I found that it was quite astounding that the Appropriations Committees really had not been worked in the past much.

The second thing that I want to point out is that we also began to concentrate specifically on budget savings issues. The administration would propose reductions and things like the Impact Aid Program, which you know had been proposed since [Dwight D.] Eisenhower's time. No progress had been made on reducing it. We started focusing on some specific budget savings issues in each budget cycle. Part of the responsibility of this budget task force was to shepherd those through their respective committees, which again was fairly unique.

**Harris:** You need to define for this group what a legislative savings was because it's a term that's not often used. I will if you want me to. It would be a proposal in the budget that would say, "We assume these numbers of savings because we think Congress will enact such-and-such a law. For the budget to be credible, these things have to occur." If you left it up to the department to make them occur—as happened in the first two years—they wouldn't occur. Therefore, one of the principal charges of the budget task force was to work with the cooperating department to make sure that it occurred. If the department wasn't cooperating, then to heck with it. Go make it happen to the extent that you could yourself.

We worked in tandem with a guy named Leon Panetta and Norman Mineta, who were on the House Budget Committee and headed task forces set up by the leadership of that committee. They had the same problem we did. They were assuming all these savings, and would then come around at the end of the year when nothing had happened. You've got to add back the level of spending, which screws up your balance, or it screws up your numbers. That was important. We did the same thing with the Senate. Part of the problem which the Appropriations Committee was having—and where we got in close tandem with them was if the savings were not enacted, then the discretionary spending would be subject to further and more difficult cuts.

So we came in close contact with certain appropriations chairmen, particularly in the Senate, who were faced with discretionary cuts of an important program because authorizing committees had not enacted either savings proposals or legislative proposals that would affect savings. The best example is John [McClellan]. Jim and I were talking about it coming down today. You know, John was our great savior; the conservative of the Senate at the time. He had to wear a different hat. He was the guy we went to for nutrition savings. Nothing fantastic—he just cut out the fraud, waste, and abuse of the summer jobs program. John took the ball and ran with it, because the Appropriations Committee in the Senate can enact legislation in an appropriations bill. The House can't, but they can accept it in a conference.

**McIntyre:** There were some very subtle but important changes in the role of OMB while I was director. The congressional role was an important one. Another role that was significantly changing was trying to get OMB an oversight responsibility with respect to regulatory enactments and regulations. I had an in-house reorganization study conducted for the specific

purpose of preparing OMB to deal with issues of the future. Any organization can never maintain a status quo position. Organizations are fluid; they're always changing. You either progress or you go backward, and I felt that we had to prepare OMB for its future. I felt that its future lay not only in the budget process, and not only in the legislative review process, and not only in the general management process.

The next frontier for OMB was to get into this regulatory game. To that end, we concentrated on getting the Regulatory Reform Bill passed, but we were unsuccessful. We also concentrated in getting the Paperwork Bill passed. We were successful, and that gave OMB a legal hook to get into the regulatory oversight. There were some important, although subtle, changes that took place in the Carter administration that have really prepared OMB for the significant role that it is carrying out today. Along those lines I would include as subcategories things like the budget task force to look into and get the budget savings that we proposed, and to try to see that the President's budget was passed. Little things like that were important innovations.

**Harris:** Lest anyone think that we were only budget cutters, I might take credit for having funded Peter Petkas' operation during the first year or the second year.

**Petkas:** That was great, Herky.

**Harris:** The only offensive effort that we made in the first two years.

**McIntyre:** I have to admit, Peter was sweating it all the way.

**Harris:** What happened after I left, I don't know, but when I was there, you were essentially well funded.

**Petkas:** I learned how to play. There was one other, Jim, the cash management enterprise.

**McIntyre:** That's right.

**Petkas:** How we pulled a major operation that Stockman—

**McIntyre:** That's right. We went after the waste, fraud, and abuse, although we realized there was no line item in the budget for it. We went after it. I couldn't resist that.

**Harris:** We had some Secretaries who didn't understand that.

**McIntyre:** We went after it just like the current administration is apparently going after it. And we were successful in making some inroads there.

**October 29, 1981**

**Young:** We have some leftover subjects that we haven't explored. For instance, I'd like to hear a little bit more about Jim's role and OMB's role, if there is a difference, in foreign policy and defense. This is a subject of some interest. And there may be other questions that some of you around the table have, and some from yesterday you may like to follow up on. But I think we ought to spend some time also this morning on getting some observations from you on the Carter Presidency. I have a few questions that are at least on the minds of those who try to think about this Presidency from an academic standpoint. But maybe we ought to begin by letting you expand, if you'd like to, on the home defense and foreign policy aspect of your duties and responsibilities.

**McIntyre:** The Office of Management and Budget treats the Defense Department budget differently than any other agencies of the government. The OMB examiners actually move over to the Defense Department during the latter part of the summer to participate with people in the Department on the programmatic discussions about the Defense Department's budget. I can understand and appreciate the benefits of trying to ease the burden of debating such a complex budget in the normal two-month time period in the fall, which would have to be done had we not gone through those types of exercises with the Defense Department. But I still am concerned that it tends to compromise the OMB position in dealing with the defense budget before the President, because sometimes in your arguments you get co-opted a little bit.

On the other hand, I wasn't in my own mind able to justify a significant shift in the way we handled the defense budget, though I did have a good bit of influence on the final decisions in both the defense budget and general foreign policy proposals. Again, it was my relationship with the President and his reliance on OMB to look out after his interests that gave me influence when we discussed those budgets with the President. Whether I agreed with the Secretary or not, I never hesitated to raise before the President policy or dollar issues that I felt were Presidential-type issues. I felt that many subjects should be brought to the President's attention just so he would know what's in that budget, so that he would understand the implications of the decisions that either I questioned or that I agreed with the Secretaries on. And as I understand from talking with people who worked in OMB before, the President's receptiveness to a policy participation role for OMB was unusual. Perhaps President Ford gave the OMB a chance to participate, but with many other Presidents, the defense budget, for example, was put together with the Secretary of Defense, the Secretary of State, and the National Security Advisor sitting down with the President and saying, "Here's what we think we need."

**Young:** Can you give us an example of one of those Presidential issues?

**McIntyre:** Sure. I always took the shipbuilding program to the President. I felt that the size of the Navy, the number of ships that we were planning to buy for the current budget year, plus the five-year shipbuilding program, were issues that the President ought to look at and make the final decision on. And I found that there were times where the Secretary and I agreed on that. But

even in those instances, I always made sure the President knew what we had in his budget. It was a big dollar issue, and it was also a big policy issue. That's one example. I also sat in on a number of the national security type meetings in which policies were being debated that had budgetary implications. The President made sure that we had an opportunity to comment on any type of foreign policy commitment that was breached by the respective departments. He still would ask if we had signed off on it.



**McIntyre:** But as a final result it usually worked out. The President, as Commander-in-Chief, always makes the final decisions on his Foreign Policy and Defense budget.

**Young:** Is there anything particularly noteworthy about the decision to increase the Defense budget?

**McIntyre:** Yes, after the President had made his commitment to strengthen NATO, I think there was a need to rebuild our defense capability. I think that this administration has fallen into that same old trap, frankly. The defense budget for a number of years had actually been funding most of the increases in the domestic budget, because in real terms the defense budget was in decline. And I think that the President was convinced that we had to show a new resolve, that we had particularly to improve our readiness capability in defense. So he made a decision that we had to put more money into the defense budget. As you may recall, he made a speech about what he planned to do over a five-year period, with increases in the defense budget by an average growth of about five percent, marking a turnaround in defense spending. You may also recall that the President, when he was running for office in 1976, indicated that he would cut the defense budget. So that marked a real turnaround from his policy to reduce the defense budget. But I must say that we never did reduce it.

**Young:** Was that a difficult decision for him to make in view of his campaign expectations?

**McIntyre:** Not really. No, I don't think so. I think that after he'd been in office for a couple of years, he saw some of the problems we had in the defense area, and I don't think it was a difficult decision to make.

**Young:** Was this one of the decisions on which there was not much dissent within the White House?

**McIntyre:** There was some dissent within the White House, primarily because everybody knew that we were going to continue to have tight budgets, and that meant the domestic budgets would take the brunt of the cutback—of all the cutbacks, in fact. So, yes, there was some real concern in



the White House among the advocates for domestic programs. I had no problem with increasing the defense budget, because I believed that we needed a strong defense budget. Where I usually differed was on a commitment to five percent real growth. With that commitment, you were taking away your discretion to decide the level question. You were, in effect, indexing the defense budget, which meant that you were indexing about 24% more of the federal budget. I had some concerns about committing to a fixed percent real growth and argued that, but I lost because I guess the President felt that the best way to show a commitment was to express it in real terms. But I'm not criticizing that decision, because it was strictly a judgment call as to how best actually to express resolve.

**Ooms:** The NATO commitment itself was in real terms, in the sense that one was bound to that.

**Young:** Unless there are some follow-up questions on these budget matters, I'd like to move to a little bit broader context. I'll put this question to you: If Mr. Carter had been reelected, do you think the second Carter Presidency or the second Carter White House would have looked rather different from the way it looked from the outside the first time? Do you think some changes would have been made, either in its policy posture, in political strategy, or in terms of organization in staffing in the White House? Or, on the other hand, do you think that it had reached by the end of the four years a pattern that suited its purposes?

**McIntyre:** I think that probably it had fallen into a pattern that the President was comfortable with. And I doubt that there would have been a significant change in the way it operated. I do think, however, there may have been a change in the way the President operated. I think he perhaps would have not been as immersed in some of the detailed work as he was for the first couple of years anyway. I think that he would have probably not been involved in as many decisions in the second term as he was in the first. I think the Cabinet would have been offered opportunities to affect more policy making, and generally, more authority would have been delegated out of the White House in a second term.

**Young:** More would have been delegated out to the departments?

**McIntyre:** Yes, I think so. But don't confuse that with what would not change the focus, the direction, and the coordination.

**Young:** I think that's an important point, because the sense you get from the outside is that he ran a very loose ship in terms of the Cabinet in the beginning and moved to tighten up. Are you saying he would have abandoned this?

**McIntyre:** No. I'm not saying that. What I'm saying, though, is that while many decisions were actually made in the White House, I think the Cabinet may have had a little more discretion at its disposal. A lot of things went to the President that should never have gone to the President. A lot of things—little nit-picking types of things—I wish I could think of an example or two for you.

**McIntyre:** The Humphrey-Hawkins thing, for example, should never have gone to the President to decide. But they did, and there were a lot of little decisions made in the White House that I think would not necessarily have been made by the President in a second term. I think there

would have been many made, either at the senior staff level or at the Cabinet Secretary level in a second term. He would have probably been a little different President the second term than the first term.

**Young:** Programmatically, do you think he would have switched in terms of his public strategy?

**McIntyre:** Not so much programmatically. For example, in the case of the budget, he might have been willing to take on some of the structural problems with the budget in a second term that in the first term were just too difficult.

**Young:** What do you mean by structural problems?

**McIntyre:** Well, some of the built-in, non-discretionary-type items in the budget, and things like the credit off-budget financing. Everybody talks about the need to abolish off-budget financing. Basically, you make that statement, and I don't know of anybody who would disagree with you. Where the rub comes is when the budget director says, "Well, Mr. President, if you put it on budget, it's going to increase your deficit by \$18 billion to \$20 billion." And, of course, he's not going to want to do that. That's the kind of tough issue, though, that a second-term President could perhaps take on in my area, and there are a lot of others like this one. Herky, I know, has some thoughts on this.

**Harris:** My view is that the second term would have been somewhat different from the first, at least in terms of intentions. First, I think you would have had a major change in Cabinet officials. Not that he would have thrown them out, but I think many of them were, frankly, about burned out and ready to move on. That would have brought new blood in. Also, I think that the advocacy type situation would have diminished because of a realization that interventionism as a popular form of government with the people had fallen from favor. I think that recognition would have taken place. As part of this, you would have seen a continuation of what I consider to be the most aggressive deregulation Presidency in modern time.

In addition, I think you would have seen a war on the budget, because I think that the President was prepared to go back to manage the budget and to deal with the issues that we didn't get done properly the first time around. Of course, a continuation of the tensions that we spoke of yesterday would have been there as well. I think the first year or two would have been living hell for those in the process, considering the President's inevitably narrow victory and the tremendous pressure of the interest groups who had supported him. I think anyone knows that. The tremendous pressures of those he had to support versus the broader view would have led to tremendous conflicts, and the conflicts would have been even more public than they were in the first term.

But I think the President was dedicated to going ahead and fixing the economic situation to the extent that he could with the compassion that he had displayed in the first term. And the difference in what he would have done versus what President Reagan has done would have been not to deal with the tax cut, but to go ahead with essentially similar budget cuts. In fact, I think President Carter would have been more aggressive in dealing with the issue, for example, of the Social Security COLA [Cost of Living Allowance] and the COLA allowed our federal employee

pensions. He thought these were basically too generous, and I felt that—at least from my observations in the meetings—he wanted to do something about it but was constantly pushed away from it by the pressures of the political interest groups. The hundreds of zillions of old folks would have resisted him, but I think he would have done it.

**Young:** But could he have succeeded? How would he have dealt with the problem in Congress?

**Harris:** I don't know about succeeding. My judgment is that anything really worthwhile is going to take a while in Congress. I think the fact that he'd be willing to propose such a thing would have been a major step forward. There's a growing sense of courage on the part of the Democratic leadership in Congress, and I'm thinking especially [REDACTED]

[REDACTED]. And assuming that [James R.] Jones would have been chairman of the House Budget Committee, I think a very interesting combination of allies would have developed.

The tension between Carter and the leadership of both houses would have been there, but I think those working in the money committees were fully aware and fully prepared to deal with the problems. They are today, and that's essentially why the problems are being dealt with. I just think the difference would have been that Carter would not have gone for the substantial tax cut. He would have stayed with heavy budget cuts. He would have dealt with supply side, or what I consider supply side. That is, to generate new productive spending cuts, but he would not have gone for the deep personal cuts. I'd say he would have done maybe a third of what has been done, and he would have triggered it.

**Young:** But it would have looked more like Reagan in terms of the hard line posture on spending.

**McIntyre:** I agree basically with everything that Herky's just said. I would modify a few things that he said, but in substance I would agree. I think that his back would have stiffened a lot more on the spending cuts. He would not have been as concerned about the political ramifications in a second term as he was in a first term because of the economic mood.

**Harris:** The interest group arguments would not have been as persuasive when he didn't have to run again.

**Young:** I want to come back to that point in a moment because this is another source of really great confusion on the outside about the Presidency and its whole relation to politics.

**McIntyre:** There was sort of an editorial expression for the interest groups. Every time we'd go to a meeting, the groups would be there, and pretty soon the folks who represented the groups became called "the groupies."

**Young:** Did the President use that term?

**McIntyre:** I never heard him use it.

**Kettl:** I wanted to follow up this question of a second term a bit more. It's possible on this whole question of the budget to put together a picture that would say that Carter in many ways would have had many of the same problems in a second term, even following the kinds of strategies that you suggest he ended up with in the first. That is, continuing pressure from inside the White House for benefits for constituent groups, and for the continuing concern for questions of equity and domestic-side budget cuts. Add to this the commitments toward real growth in defense spending, and you would have a barrier toward getting anywhere close to a balanced budget.

There are really two parts to my question. Do you think he would have moved more forthrightly toward a balanced budget as a stated policy goal and, if so, would all the structural things that we've talked about have been more realistic in the second term than in the first?

**McIntyre:** I think the answer to both those questions is yes. The reason I think so is that, if you look at Reagan's situation now, his problems are not on the balanced budget, and not so much because of his commitment to defense spending. But it's because of his inconsistency of increasing defense spending and cutting revenues. You know, it's hard to explain to people that when you reduce revenues you increase the deficit. I mean, they just don't think of the two as being related. You'd be surprised at the number of people I would talk to about, "Well, why don't we cut taxes?" You know, they'd be concerned about the deficit on the one hand, and in the very next breath, they'd talk to you about cutting taxes, without relating the deficit to the tax cuts at all.

So I think that Carter would not have gone with as deep a tax cut, and therefore he would not have exacerbated his deficit problems. He did not propose as large an increase in defense as Reagan has proposed, and therefore he would have saved that margin. I think he would have at least had a shot at balancing the budget. I have no question but what he would have pursued that because that was a strong, personally held belief that he had, even as Governor. He felt the federal government was basically out of control, and that something needed to be done to get control of it.

**Ooms:** At the same time, you do have to remember that there was a growing recognition, at the end of the administration, of the political effects of bracket creep and the limits to increasing taxes. The argument made by the Republicans—which did not carry a lot of weight in the '78 elections—is that bracket creep is an unlegislated tax increase, and that the budget was a money machine rapidly sucking in tax revenues and using those for spending. That was becoming a very persuasive argument out in the country, and I think that we were all caught between the awareness that there had to be some give on taxes, and the realization that if you did, honest projections would show an enormous budget gap out there. So I think Jim's exactly right. I think it would have been resolved at the margins with smaller tax cuts and probably equally aggressive spending cuts.

The only way the current administration appeared to resolve that conflict was by making budgetary projections that were quite unrealistic. I think there was a very clear realization by the end of the Carter administration that even the assumptions we were using were too optimistic and were leading to a misreading of the out-year deficit threats. There was, therefore, a very

strong campaign—led by OMB, interestingly enough—to try to go to more realistic budgeting, in which you held down those out-year growth rates and showed the full nature of the problem. Had we done that, the encouragers of the budget discipline that we talked about yesterday would have been there just as much for President Carter as they are for President Reagan. So we would have had exactly what Herky said.

I would predict a massive confrontation between the reality of the budgetary imperatives, and the interests that were still pressing for increasing spending, regardless of budgetary problems. In the last year, I was struck by the fact that when we were debating what to do on policy and debating whether to put a investment incentive tax cut in the budget or not, some of our friends from “the groupies” came in with their proposal for a straight \$25 billion stimulus package, pumping up public works and jobs programs and so forth. They acted as if the last ten years had never taken place. It was really quite remarkable that the gap between budgetary realities and the perception from the outside of the possibilities for the budget was so large.

**McIntyre:** At the same time, there were a number of innovations that we made in the budget process over the four years that helped us. In addition to zero-based budgeting, we introduced multi-year budgeting as a fact. Now they had these projects. They’d had multi-year projections for some time in the budget, but the projections were just that—they were just projections. We tried to put real numbers in those ideas. And we would only change them for changes in policy or for estimating differences. But otherwise, we would give those numbers to the agencies the following year as their budget numbers with those two adjustments. We also instituted a credit budget to try to deal with the problems of off-budget financing. There were a number of things that I think we had instituted that would have helped us deal with the out-year problems better than previous administrations had been able to deal with them in a second term.

**Haider:** Jim, I don’t know the significance of it, but for one viewing it from afar, it appeared to be rather interesting. When you took the results of that long-range planning group in 1980 and started looking at some of the issues and concerns of the second term, it appeared to spark a struggle—with leaks to the press and other things—over the kind of second Presidency that Carter would have. What was your motivation for this, and what were you trying to do? The President already understood this, so were you just trying to sharpen that focus?

**McIntyre:** Most people who are not connected with the budget process don’t think beyond the immediate year when it comes to dealing with the budget. And what we were trying to do is show some of the real problems that the growth in Social Security and health entitlement programs was creating for the budget. The tremendous growth in non-discretionary spending was what we were trying to direct some attention to, and to the kinds of problems that we were going to have to struggle with in the future, if we were going to get more of the budget under control. We were trying to focus some attention on to these problems because, as you know, Don, there is very little that any President can do in the immediate budget year.

That’s why ’82, for example, is a fait accompli. President Reagan could try with every power he possesses, and he might be able to get four or five billion dollars out of that budget, and that’s it. So what you have to do is concentrate on the future years. And if you make some reductions in FY’82, they will begin to have some impact in ’83, ’84, ’85, ’86. And so what we were trying to

do is take that time frame of the second administration and show what the problems were and what we thought some of the alternatives were and what would have to be done to deal with them.

**Young:** Would it have been possible for you to do that when you first came into the first administration?

**McIntyre:** Well, it would have been possible. But there's a window for making significant, radical change in any administration, and in my judgment, that window is about the first year. After that, the change is basically in the margin. And you have to remember that every other year, there's an electoral event that takes place in this country, and the Congress, in particular, keeps that in mind. So in those years, you really don't have much of an opportunity to make substantial, radical changes in the federal program.

My feeling is that a President has to get basic changes made in his first year. He can do that in the first years of a second term just as he can do it in the first year of his first term. But then in his second year, he runs head-on into the congressional elections. The third year he can get some changes made, because he's got a new Congress to work with. But in the fourth year of a first term, he's running for reelection, the Congress is running for reelection, and it's very difficult to make a radical change. So, historically speaking, there have been very short windows in which any President has been able to make significant changes in federal programs.

**Young:** On thinking through a number of questions about the Carter Presidency, I suspect one of the things that future students are going to pay a fair amount of attention to is something that it may have as its symbol: the so-called malaise speech. Here was a rather unusual event in the history of the Presidency, a President who came out publicly and described what he saw as a fundamental problem in our society. The speech talked about the fundamental threat to democracy as being that thing in us that became referred to as a "malaise."

The President, in this and in subsequent speeches, sounded like he was saying, "I haven't been approaching the problems of this job the way they ought to be approached, and there's going to be a change." He said at one point that he had spent too much time managing the government and not enough in leading the country. You have here the projection of a President and of an administration that felt itself in deep trouble and pressured to make some changes. For starters, can you talk to us a little bit about how that speech came about and how that sense of being in trouble converged on the President to cause him to try to make these main switches in his own public image and his own public posture?

**McIntyre:** The details surrounding that are quite fuzzy. I did go up to Camp David and talk to the President about some of the issues he addressed during that time frame. Much of that, though, is very hazy to me at this point. As I recall, that was in the summer of '79.

**Harris:** Right after the gas lines.

**McIntyre:** Right after the scheduled energy speech, that's right.

**Ooms:** The President had just been on a trip to the Far East.

**Harris:** Japan.

**Young:** He had cancelled his vacation in Hawaii because of the gas lines or something.

**Harris:** That was a period of time when Mr. [Michael] Blumenthal, Mr. [Joseph] Califano, and Mr. [James] Schlesinger left, wasn't it?

**McIntyre:** Yes, I remember it. As best I can recall, there was a great deal of criticism of the President's vacillating on issues, along with some criticism in the press and on the Hill about his rough relations with the Congress. He had tried to get this comprehensive energy program passed the first year, and had run right into problems on the Hill and with various interest groups. Inflation was increasing at that time as well. That was about the time interest rates started going up.

**Ooms:** It was really the time that the oil shock hit, and I think it was clearly a manifestation of that oil shock. The first symptom was the gas lines, the next was the very rapid acceleration of inflation, and then the interest rates started going along with it. The budget began to go out of control, and at mid-session review we realized that we were going to have to re-estimate upward by tens of billions of dollars in outlays. And from that came the perception of fiscal irresponsibility.

**Harris:** Popularity polls with new laws, and every week he was lower than any President in history, and all that sort of thing.

**McIntyre:** There was a basic feeling, particularly among his senior advisors, that he needed to rethink his management style. There was a lot of criticism that continued over the first two years about his getting too immersed in details. Criticism of no Chief of Staff, of no policeman at the White House.

**Young:** I think in the press it was the criticism of an administration that didn't know what it was doing, from the impression of the right hand and the left hand doing different things.

**McIntyre:** Criticism of the contradictory statements made. A lot of this was attributable to the fact that there was no discipline early on in the administration. I remember when Secretary Califano was working on the legislation on welfare reform. He went up and made a deal with Senator [Daniel Patrick] Moynihan that cost the President, oh, \$300 million or \$400 million in the budget, and he never even checked with us before he made that commitment. Well, it certainly upset me because that's a lot of money in the budget. When I brought it to the President's attention, the President called Joe and talked to him about it, and Joe had this story about, well, how he had to make this deal if we were going to get this thing passed. There was no discipline there.

**Harris:** Or education, too.

**McIntyre:** He should have had his knuckles rapped right then. The President should have said, “If you do it again, Joe, I’m going to fire you.” But there was no discipline. And then you would have White House senior officials as well as Cabinet Secretaries speaking out on differences about economic policy. There was just no discipline. It used to frustrate me. Maybe I’m a little too self-serving, but I felt because I’d known Jimmy Carter a long time, and I was very dedicated to him as an individual as well as a President, that I tried to protect his interests.

In fact, I even went the other way. I was too cautious, and I probably should have said some things that would have been helpful to the administration, if not to him. But it really frustrated me to see people out there undercutting his programs. I think it was the perception of there being no discipline in the administration—of the President not having control of everybody out singing his own tune—that caused him, along with the economic problems and gas lines, to go up and think about the management processes he was using to run the government.

My own judgment is that the President had a great deal of vision concerning, first of all, what the problems facing the country really were. That’s particularly true in the energy area, the defense area, and the environmental area. I’m not sure that he fully understood the economic issues. But I know he had a lot of vision about other problems facing the country, and he studied them hard. For example, he studied the B1 bomber decision at great length, and probably knew more about it than anybody else in town.

The same is true about the energy issues. I think what he was trying to do was to figure out how to communicate his analysis of the problem and his proposed solutions to the people. And the third thing he tried to do was to deal with his own management problems, like trying to bring some discipline to the government.

**Young:** Did you have anything to add to this, Herky?

**Harris:** Well, first of all, I was not a part of anything to do with the Camp David process, except occasionally I would meet people and greet them before they were carried up to Camp David. I don’t know much about it other than what I heard around, which may or may not have been accurate. My feeling is that it didn’t start out to be a great powwow, but it sort of evolved into it.

**McIntyre:** I think so, too.

**Harris:** I think he went up there to start doing things, and the more he talked, and the more he heard, the more obvious it was that he had to do something. People became extraordinarily nervous if they were not invited up there to consult, whether they were business leaders, government leaders, elected officials, or whatever. They had to get up there. Whatever it was, if they didn’t get their oar in, the world would come to an end.

So tremendous pressure grew as to who would be invited up and who wouldn’t. I thought it was kind of a comical thing to see these people sitting around waiting to go up there to the mountain and exchange views and all that. I questioned whether their input was ever really used. I didn’t know. I had no part in it, whatsoever. You couldn’t get through to people up there. It was perceived that if you didn’t go up there, life itself might not be worth living. I managed without



having gone up there, as did a lot of other folks. It was interesting when they came down and he made the speech, the number of people who had gone up there who were quick to point out that that wasn't what they recommended.

**McIntyre:** The interesting thing, though, is how the speech was perceived. To many people, it was a speech saying there's really no hope, that American people are not very energetic and not very imaginative. But that wasn't the idea at all. The idea was to try to say, "We've had an abundance of energy resources, an abundance of natural resources, and a pretty good life. But there are some conditions changing now, and we've got to adapt our lifestyles and our country's policies to those changes." Unfortunately, this was perceived as offering no hope and as a very negative speech.

**Harris:** I tended not to be quite as hypercritical about the speech as some of my associates, and maybe because I didn't understand. But two things ought to be pointed out. Number one, there were incredible expectations about what he was going to say when he came down. The expectations built with every planeload of wonderful ones who were taken up there. And the more people who went and consulted, the more obvious it became that there was going to be a major revolution in the administration. I didn't know what the heck to expect. I felt comfortable in my job, but I did put a few feelers out, not knowing. I had once volunteered to be a sacrificial lamb; I didn't know if maybe now they were going to take me up on it. It was an amazing experience.

The big problem occurred not so much from the speech, but from the actions that occurred after the speech, namely, the termination of the entire Cabinet. I don't know whose idea it was, but that was a shocker. I knew that heads were going to roll because Jim and I had done some exploratory work on who might be willing to fill some positions. So we knew that some things were going to happen. I had to do some telephone calls very quietly, and it was better for me to do it because it's not my style to let things leak out. I didn't have any earthly idea that they were going to can the whole Cabinet and start over again. I don't whether you knew it or not, Jim.

**McIntyre:** I knew it was being discussed. When I left Camp David, I thought that the idea had been killed, but there were still two or three more days of decision-making up there, and it apparently happened.

**Harris:** As a result, there was a firestorm of press criticism generated internationally. The people overseas just did not understand the termination of the Secretary of State and the Secretary of Defense. And that just compounded the problem. You had a lot of folks out there who were anticipating the 1980 Presidential election within the Democratic Party who didn't like President Carter anyway, and who seized this opportunity to bang the drums of incompetence. They encouraged the feeling that he was incompetent and had to be replaced, and in effect forced others to make a decision to run. I think the timing of this worked greatly to his disadvantage.

And so, instead of the issue being one of his making a decisive staff move, an exercise of wise management, it came down to a head shaking, "My God, how did this come about? It's just a classic example of ineptness, incompetence, what have you." Even his friends, people who were supporting him, came saying, "My God, where did this thing come from?" And believe me, on

the Hill there was no explanation for it. You just listened to them rail on, and then you would go on to the next place. You couldn't sell it, it wasn't even worth trying. Therefore, I think Frank and his staff and I basically listened to people, and to the extent we could, answered questions. But there were no answers.

It was a classic example of an event that was taken totally out of context as to its intention, and exploited dramatically by political opponents within his own party to undermine the perception of his competence, so as to affect their ability to destroy him in an election process. Now, that's my own personal opinion. I don't know whether it's true or not. That's an opinion. I think from that point forward, the problem of competence continued, and I think no matter what he did from that point on, that exercise led to this almost unrecoverable image of incompetence.

**Ooms:** You've been talking about this for about fifteen or twenty minutes, and nobody has mentioned the context. The context was that there was an energy crisis. He went to Japan to deal with that, and it was perceived that the problem was greater than had been acknowledged. He came back, and there had been a speech written for him to give, the major address on energy. And he decided at the last minute not to, that the problem was broader than that in some sense, and at that point he went to the mountain.

**Harris:** Cancel the speech. The whole energy speech, which the networks had that time scheduled and now didn't know what to do with it. The whole, "Oh, woe is me," type of thing.

**Ooms:** But the energy issue just disappeared when the secondary thing became the issue. What a lot of people forgot is that the whole syn fuels thing was thrown together on the back of an envelope up on top of the mountain, and OMB was told to provide supporting details for this modest \$80 billion venture into saving the country's future.

**Harris:** This \$22 billion appropriation that fall, which I think we ended up with.

**McIntyre:** I'm glad you gentlemen are here. I don't know if I have subconsciously repressed all of this in my mind, but when it comes back, it's quite interesting to recall all this.

**Rhoads:** But let me ask you about this Chief of Staff business, because there was this problem before this malaise speech. That was one way it came. Everybody said, "We're going in different directions, there's no Chief of Staff."

Now, having sat here for a day and a half, I'm struck by the fact that the closest advisor has almost not been mentioned: Hamilton Jordan. I've heard you mention that you got together with Eizenstat and the Vice President and fought things out and so on. What was your relationship with him, and why did Carter rely on him so much? I gather you all feel he wasn't equipped to be the Chief of Staff, that he couldn't have brought the reins in and helped the President that way. How did he help the President, and how did you interact with him, and did you think on balance that it was a healthy influence that he had, or would it have been better if there had been somebody else in that office?

**McIntyre:** Well, I think you have to recall that Hamilton and I have been friends for a long time,

and as I indicated a number of times yesterday, the White House operated more as a collegial body to me. What I'm saying is that you're dealing with equals. I dealt with Hamilton a lot. I sat with him. I talked with him about budget problems. I talked with him about the economic problems—some ramifications I thought they could have for the President. I talked to him about the problems of letting the interest groups dictate our decisions to us. We talked in general about strategy. I kept him very much apprised of the reorganization efforts, and the advantages and pitfalls that I saw in some of the plans we were putting together. I tried to keep Hamilton informed.

At first, Hamilton had a lot of people pulling on him trying to get his attention, and he could not give everybody the time and attention that they thought they had to have. You also have to remember that Hamilton was one of the chief strategists for the campaign itself. He was integrally involved in the campaign, and did not turn his attention to governing until after the election. He did not come to grips with all of the problems of governing until substantially after the election. He just didn't have time to think about it.

My judgment is that Hamilton is that extraordinary strategist—planner, I guess, is a better technical word for it—extraordinary planner. He can see the big picture about as well as anybody, in political terms, and about as well as anybody I've ever known. I think that was his greatest value to the President; he was someone who could sit in a room, not necessarily with all the technical knowledge and expertise, but who could tell the President how he thought what was being proposed fit into the overall picture. I think he should have been used in that capacity as opposed to trying to make him into someone who understood all the issues, someone who was a paper processor, because he was not. He didn't like to do that. He was bored by it, and therefore when somebody doesn't like their job and is bored by it, they usually don't do as good a job as they do at things they're interested in.

I think—and I think I said this yesterday—that Hamilton's greatest value to the President was as someone who could go into the President and say, "You know, I've listened to all this, and here's how I view this issue. I don't necessarily know all the technical details, but I think you've got to be concerned about implications over here, and what if it affects this group or this problem, and what it's going to mean over here." He was used in that capacity, and you might want to explore that with him when you talk with him. I think that was his greatest value to the President. I think he should have been used more in that capacity, and particularly used more overtly as a political advisor to the President. I mean, he did give the President political advice, and anybody who thinks he didn't, didn't understand how Hamilton operated. But he should have gone ahead and done it overtly. The pressure wouldn't have been there to make Hamilton Chief of Staff.

**Thompson:** Could I tack on just one quick thing? If this was his greatest strength—and everybody seems to say that it was—then how does one explain the political insights that led him to come up with a report card idea for the staff, that led him to maybe be responsible for some of the Camp David business and the firing of the Cabinet?

**McIntyre:** Well, I think Hamilton's like everybody else. Everybody's entitled to make some mistakes. The secret is to make those that aren't devastating in their effects. I think that Hamilton was searching for ways to bring discipline to the administration, and that's the only explanation I

have. All of us realized that there needed to be some discipline imposed on the administration.

**Young:** Was that a generally shared view?

**McIntyre:** I think so. There are a few people who probably wouldn't share that view. But most people who really understand government and understand how one controls a massive organization like the federal government would agree that there needed to be discipline.

**Harris:** I think Hamilton grew to respect the need for discipline as time passed. I don't think he appreciated it early on, and I think he really genuinely felt that the spokes of the wheel concept would work. I think he felt that Cabinet government was a good idea, something that ought to be developed. I think he was absolutely dedicated to carrying out the orders of the boss, even when he disagreed—which was not very often, I don't think.

And I think Hamilton came into the job having suffered through being the key point of every controversy in the campaign. He came in with this image as a political guru that rivaled anything in the history of American politics. I think the overwhelming attention that he received and the pressures that were there for someone of this notoriety, etc. were difficult for a thirty-three year old guy to handle. He really had not spent a lot of time in the limelight, certainly not when he was in the Governor's office, and certainly to a degree in the campaign, but nothing like that which descended on him in Washington.

I think his natural tendencies were to be somewhat individualistic as opposed to a part of a melting into the society, and I think this affected his image. As he made mistakes—or was accused of making mistakes, whether he did or didn't—it affected him. I think he was reclusive. I think he narrowed down the number of people he met with to his own detriment. I don't think he had a good relationship with a large number of people within the administration, so when the Speaker attacked him as Hamilton "Jergen"—which he called him one time because he'd never seen him—I think Hamilton further moved into the reclusive mood and away from settling the problem. Those of you who don't know him should understand this. First of all, he's smart. He's not brilliant in the sense of—what do you call a person who knows everything?

**McIntyre:** Genius.

**Harris:** He's not a genius. He is a very smart person, that's one. Two, he's extraordinarily practical. Three, he's got a personality and a wit that rivals anyone I've ever known in my life—anywhere, anytime. When he turns it on, there's nobody like him; when he turns it off, he turns it off. But he was forced into a situation that brought pressures to him that I doubt anybody his age has ever had in that sense. In other words, he just had never had the kind of intense scrutiny of everything he did, and therefore the reclusiveness hurt him. I think it narrowed down the number of views he listened to. I think that the exposure he had to major national political figures in the Democratic Party as a result of the profile increase affected to some degree his basic outlook.

I also think that you need to recognize that basically, Hamilton is a liberal, which is not the case with everybody who surrounded Carter. A lot of people don't think that and don't know that. He basically is a liberal in the true sense of the word. He thinks there's a place for government, he

thinks the government has done well, and the government has a place, that it should affect the lives of the populace. But these points need to be made. Hamilton was not ever, to my knowledge, particularly policy oriented.

He was not interested in the job of Chief of Staff; he didn't want it. He didn't want the hassles of it; he didn't want all the decisions forced his way on all the minute things. He just wasn't interested in that sort of thing, and he was least of all interested in going to the Hill and negotiating a deal. He wanted others to do that. I think the fact that he didn't want the Chief of Staff position—even though earlier than the '79 decision it was offered and suggested to him—clearly reflects his own desires not to get into that phase of it.

Instead, he wanted to let Stu do it and let Frank do it and let Jim or whoever else do it, and if he disagreed, he would speak up. But he didn't want the job.

In my judgment, he did not demonstrate particularly great judgment of people. [REDACTED]

[REDACTED] He was put in these awkward positions, and oftentimes he would agree when he didn't agree simply to move on to the next thing because he wasn't prepared to get into an argument over something. The narrow group of friends he had also, I think, hurt him, because it didn't allow him to get out and explore Washington in the way that's important to the administration. Whatever he said to a group was reinforced by these folks, and he was not urged to get out and mingle and be a part of the decision-making group. I think that ultimately hurt him. I doubt that he would agree with me on that, but that's just my view of him.

He's a political visionary. I think he had a better sense about what was coming in the '76 election than anybody there. I think he knew exactly what was going to come down in the '80 election, and the first time I ever heard the outline of what was going to happen in the '80 election was in the spring of '77, sitting in his office one day, when he anticipated the Kennedy challenge, when he anticipated the dilemma on the economy, and when he anticipated the bigger problem would be in the primary. I think he underestimated President Reagan as a candidate, as a lot of other people did. But he was willing to learn the pressure points in the process and spend an inordinate amount of time working on those. He was not particularly interested in learning the same pressure points with making policy go in the government or solving policy dilemmas.

As Jim said, he was very much a political person, very much interested in politics and the interactions that forged results. I didn't feel that he was a particularly good manager, nor did I feel that he was particularly tough. The decision to get rid of Califano was one that he has at least been quoted as saying he thought was a good decision, and that he enjoyed participating in. I happen to know that he was interested in it because he was particularly interested in Califano's performance on the Department of Education activity.

Back to the Camp David situation. It was obvious to everybody when the President got back from Japan that they had to do something about the management of the White House, about

dealing with the problem, about exerting leadership, about taking command, about demonstrating who was in charge. It was a leadership issue that had to be dealt with. Two, you had an energy problem that had to be dealt with. So you went to Camp David, and you talked about these things. Simultaneously I gather there was a battle royal over who to keep and who to let go, because you basically made three decisions. Hamilton approached me at one time for a list of staff that I would suggest be let go. God, I was frightened to death, and I don't think we ever got any names. But he was really serious about trying to get in there and be tough and get it done. After the Camp David situation, when the Cabinet termination backfired so badly, I think all efforts to improve sub-Cabinet and staff people and what have you just fell off the table. I think it was dropped because they just said, "Hell, that didn't work, why try it again?"

But I think he was intent on trying to fix the problem. I think he had finally become convinced that the Presidency was in trouble, and one of the problems was the inability to control those around him. I think he was ready to do it, but I think because of the fiasco—or the perceived fiasco—of the resignations, he was unwilling to go forward. I will say this. He did not agree, nor did he listen to me on political direction. In fact, I feel like he almost dreaded it when I would come his way because he disagreed with me.

**McIntyre:** You spoke too plainly.

**Harris:** I spoke too plainly. I didn't condition what I said. I told him exactly what I saw and what I was hearing from the people I communicated with both in and out of Washington, and I don't think he agreed with me. I think that he was far more oriented either philosophically or otherwise towards what I consider to be the traditional Democratic viewpoint, and did not look at this broader issue. I truly think that he would have preferred me not to express my views on things from time to time, and therefore, the last six or nine months around there, I had very little to do to with him. I saw him only in passing, and we had little or no conversation. I expressed myself as to what I felt the problems were and what the President needed to do in the fall of '79. I don't remember discussing it with him after that.

Also, on economic issues—which you all have concentrated on in the last couple of days—he was not an economist. He was not interested in the budgetary issues; he was interested in the political impact—the fallout, plus or minus of them. He generally agreed that we had to do something, but there was the same problem we had before of one particular person constantly raising the issue of the sky is falling, the sky is falling, the same point that Jim made yesterday. If the President gives this one to the OMB, the administration is ruined. I think that was constantly put forward, and Hamilton was totally in the middle of the dilemma. He knew the President's orientation. He knew the pressures coming from our group. Yet he was constantly feeling this input in political pressure from a dozen different directions. I tell you, I don't know that anyone could have done a better job under the circumstances, given his discipline and his interest. I don't relish that job. I'm glad I didn't have it. I couldn't have done it as well.

**Young:** One footnote on the spokes of the wheel. Three or four years ago, some of President Ford's staff were out here after they were out of office, and Dick Cheney said that during the transition, he gave Hamilton Jordan a bicycle wheel with the spokes all bent and twisted and broken—spokes of the wheel.

**Harris:** I suspect Hamilton might have passed that one on.

**McIntyre:** I did go up to Camp David on a couple of occasions during that discussion and decision-making process, and I did participate in some of the discussions with the President over what was wrong with the management problems in the government. I don't recall all the details. One thing that sticks out in my memory is that during this discussion, we watched the Wimbledon tennis match in which Roscoe Tanner was narrowly defeated in the end. But we did discuss some of the management problems in the Executive Branch and ways to deal with those problems. I think I'm the only person the President pulled up there specifically to help him evaluate those management problems.

I recommended that he ought to go get a strong Chief of Staff. The President was reluctant, and I can understand that. Here's Jody Powell, who had been his driver back in his campaign for Governor. Here's Hamilton, who'd been with him since his campaign for Governor. Here's Stu Eizenstat, who's about the same age, and who had helped him with issues when he was Governor as well as been his Domestic Policy Advisor. I can understand his feelings that, "Well, these people are the folks who've been with me all along, and I'm not going to impose some stranger over them and force them to go through a stranger. I can handle it; they can have access to me."

I think what wasn't recognized is that he didn't have to put someone between them. He could always have the door open. But he needed someone who would take the pressure off and force these people to sit down and make decisions that they were bucking up to him. That would have been the tremendous advantage of the Chief of Staff. Also, I did talk to him about some of the problems about administration, about people who I did not think were serving him properly.

**Young:** Did you get the sense that he was quite aware of all these problems himself, or do you think this was a revelation?

**McIntyre:** I don't think any of this was a revelation. I think he was aware of them. I think that he just needed to have someone he considered to be objective say some of those things to help reinforce his own feelings.

**Young:** Getting back to that question of the political side of the Presidency and the politics, political dealings, approach to politics of the President. Again, you understand I'm talking from the way things look from the outside; I'm trying to get a better picture of it. There are two very conflicting perceptions or schools of thought on the President or the Carter White House in its relation to politics.

On the one hand, just to point to the extremes of this, you have the viewpoint that sees all sorts of evidence in the Carter administration of an almost apolitical President. There is the strand of that school of thought in the press that says that you really didn't have much feeling or taste for politics, whatever is included in that term. I think a lot of it related to his feel for dealing with Congress and things of this sort. Another strand in that school of thought looks at some of the things he tried to do that were not politically popular at all, like the veto of water projects. The Department of Natural Resources really felt it was something that ought to be done, although

these are not political winners. That's one part.

On the other hand, you have all of this other school of thought that says this was an intensely political administration. There was an intense concern in policy matters with, if you did this, you'd lose the support of that group in the press. You pick this up later on in the administration that Carter is motivated entirely on substantive standings by what's going to happen with the next election. Those of us from the outside who see this don't know how to sort it all out because there are two seemingly contradictory sets of outside perceptions about the Presidency. We don't know what to think. Have we got it all wrong, or can you enlighten us about this?

**McIntyre:** Well, let me give you my thoughts on it. I'm not sure I can enlighten you. I can try. I can tell you how I saw it. First of all, I think you have to say that Carter was an extremely shrewd politician to go from school board member to President in a period of about twenty years. Actually, it was less than twenty years. He had to be a shrewd politician in order to get the nomination for President—first of all, to decide how to get the nomination; secondly, to get it; and third, to win. I think you have to say that he was a good politician.

On the other hand, politics is also getting along with people and convincing them of what the problems are and what ought to be done about it. Some people would say that might equate with the definition of leadership. I felt that Jimmy Carter was extremely able. In fact, in some cases, I would say he was more visionary than most in looking ahead and identifying the problems and the issues that the country needed to address.

I recall that in dealing with me, he would always tell me, "You give me the pure analysis, and let me worry about the politics." Well, I didn't take him literally. I gave him what I considered the pure analysis, an objective analysis, but I also explained to him how I saw the politics on various decisions. I must say that on many of the controversial issues in our administration, the merits of the arguments were put forth; I think that when the papers are opened and folks read the recommendations and the analysis given to the President, you will see that the factual analysis was there.

There was in the Carter administration a strong tendency to explain why the President ought to take some action in terms of the groups that would be affected. You're going to offend this group or that group, and Mr. President, if you veto that bill, we'll lose the election. I can't count the times that that argument was made to the President—particularly by his domestic advisors—on why he should do something. They are so numerous that I wouldn't even attempt to try to count them. I think that hurt the President.

While he was a good politician, in my judgment, I think that once you get in the White House you tend to become isolated from what the people are thinking. You also tend to look at issues very narrowly, unless you are able to get out more and rub shoulders with the people, or unless you have people in the administration who talk to people other than just those they deal with in Washington. I think that's why you have this divergence of opinion on the President's political abilities.

In fact, there was a combination of the two. I think he was an astute politician. On the other



hand, I think his own inclination was for his professional staff to give him a straightforward analysis and let him apply the politics. But when it got right down to making a decision, those people closest to him tended to advise him in terms of that one issue and how it might affect that one group, as opposed to looking to the broader picture of the President and the leadership he really should provide. He shouldn't be swayed by one particular interest group's concerns. He should be looking at the needs of the people, and if they don't agree, and he thinks this is the right policy, he should set about to lead the people toward that policy.

**Young:** We've had some people, when they're asked to talk about this, say they could not talk to him about politics. It was risky to talk about political fallout. There were even some expressions to the extent that if you tried to sell the President on a course of action because of its expediency, you were very likely to end up losing. That's just another one of those confusing pieces in this chess thing that we get. I can understand the kinds of pressures, given the staffing pattern and the way things were set up, and the kinds of pressures from the groups that converged on him. Obviously, he had some kind of political skill, or he couldn't beat the odds in getting into the office. Yet this strange thing about the place of politics in the Presidency outside the electoral arena still kind of bugs us.

**McIntyre:** I truly tried to give him an objective analysis, and sometimes I would send him a separate memo in which I gave him a political analysis and then let him make his own call.

**Harris:** I don't think many people went into the Oval Office with a stated agenda and a whole discussion on an issue that was political. I think the substance of the issues was shaped in such a way by those who were doing the shaping that the political options would appear. Then, during the discussion of the substance, political options were reinforced. I think what Jim and Van and I have been referring to is not so much a direct meeting of saying, "Well, what are the teachers going to say versus what are the nonteachers going to say?" Or, "What are the welfare receivers going to say versus the welfare payers?" It was not quite that crass.

But the implications were there.

If you looked at the decision memos, oftentimes going in—particularly memos covering the recommendations of veto—we would recommend a veto over something because it was volatile—the President was losing the right, or losing power in the Presidency, or sacrificing something because of the encouragement of intrusion. The memos covering it would literally point to all of the things that this person had done for us, all the things we needed this person to do, or what would take place if such a terrible event as a veto took place. We were just basically outmanned. I don't think we wrote up memos as well as maybe we should have. I don't know what it was.

I think that President Carter had fewer vetoes than any modern day President during his four years. Go back and look at Roosevelt. He vetoed more bills than almost anyone else, yet he came through as a very popular, very successful President. We vetoed very few bills trying to "use this to make friends with Congress," and I think if you could get the archives and examine the various memoranda that covered recommendations of vetoes and the veto in the views of the various departments, you would understand the points that we're making.

I think maybe we're more sensitive to it because it seemed that we lost more of the issues due to this. But it was not a situation where they would line up and say, "This is what they think, and this is what they think, and this is what they think, and therefore since all of them agree, that's what you ought to do." It just wasn't that way. But the arguments shaped within the memoranda—and again, we dealt quite extensively with memoranda—tended to reinforce the views exhibited by these various interest groups.

**McIntyre:** There are different types of situations in which political issues arise, and in each situation they arise in different ways. For example, in the legislative area, you had the question of legislative proposals. If you were astute at all, you had to be concerned about who was going to be affected in the Congress by a piece of legislation. You had to look at those interactions that would occur if you sent up legislation formulated in one fashion versus a different fashion. Then you had, as Herky mentioned, the situation in which a bill was actually passed, when somebody succeeded on the Hill in putting some limitation on the President's power and adding on a hundred million dollars for a specific program that you didn't think was appropriate, when you had the political ramifications of vetoing as an issue. Other types of political issues arose in the formulation of budget proposals, in anti-inflation efforts, and in the changes of regulations. For example, the Davis-Bacon act that Van mentioned yesterday generated tremendous political pressure from labor unions not to do anything. Political issues arose in different forms, depending on what was occurring. Arguments would take shape depending on what the issues were and the forum in which those issues would be discussed.

**Harris:** One side of that. There was a rather significant debate that took place over three years as to the President's relationship with Congress and whether the President should do anything that appeared to run against the Democratic Congress, such as whether he should attack Congress for their inaction. Should he attack Congress for their frittering away of time on important things like the Energy Bill? In other words, the issue that a Democratic President cannot work at crossed swords with a Democratic Congress was a heavy issue of debate.

When you got right down to it in the election in the last year, it appeared to many people that the Democratic Congress ran against the Democratic President. Therefore, all of those who raised this issue had discouraged the President from, in effect, doing what President Reagan has done in going beyond Congress to the people directly. I would have to say in hindsight they were wrong. In many instances, the President had good opportunities to chide Congress for not having acted or for having acted too slowly. But he was strongly discouraged from doing so by the same group who felt that you had to do everything within the traditional mode. Yet we were not in traditional times dealing with traditional issues, nor looking toward a traditional future. And it struck a lot of folks that the President needed to be different from the traditional situation. Yet it seemed the further we got into the administration, the closer akin we got to a traditional mode of a Democratic President when we were truly not elected as a traditional Democrat.

Had he been elected as a traditional Democrat, it would have been one thing; but if you remember, the issues he ran on in '76 were the same basic issues that the President ran on in '80. The difference in '80 and '76 with Carter is that he was defending the actions of government as opposed to being the attacker. If you'll go back and look at the records and the debate of '80 versus '76, it would be an interesting contrast. It's going to be interesting in '84 when this

President has to defend the actions of government that he ran against; it's a difficult situation. But again, I feel that the debate over whether a Democratic President should take on his Democratic Congress publicly was a healthy debate.

Jerry Rafshoon was much involved in that issue; Jody Powell was much involved in that issue. Frank was caught in the middle. Frank was frustrated by the inability to get things done, and Stu felt strongly I think, that he would be mad with them, but recognized we had to live to fight another day, and that was a very difficult issue. I don't know that we ever successfully resolved it.

**Young:** Not many Presidents really have. For example, when FDR—a politician in Washington, and an old hand at it—began to have troubles with Congress, look what he did. He went out in '36 and tried to run against it—a purge, it was called. In all but one or two cases, it was a dismal failure. But he had no luck when he tried to get rid of people, conservatives within the Democratic Party who were fighting his program. He failed at that purge attempt.

**Harris:** There was never any consideration out of that one Party.

**Young:** I'm saying that you have company. For a Democratic President to have trouble dealing with a Congress that's either too far to the left or too far to the right or whatever, is usual. There's a whole history of ways; none have been solved successfully. What Roosevelt did have, of course, was an apparently impenetrable popular base that he could appeal to, and I guess that was really lacking—or if you did have it, Carter didn't seem to be able to tap it or summon it.

**McIntyre:** I think that Carter actually became captured by the Washington government.

**Young:** Well, that was what I was going to ask you. In a peculiar sense, he almost became captive.

**McIntyre:** I do think he became captive. My feeling all along was that Carter ran as an outsider. When he got here, he should have opened his arms and brought the government into the fold. And he should have captured the government as opposed to having the government capture him. Had he done that, I think he could have continued to speak to the broader issues the American people were interested in. Restraining the growth of government, cutting out regulations, cutting down on red tape and paperwork—these were the issues that got him elected.

As opposed to that, he got captured by the government; he got pressures both from within the administration and from outside the administration, as well as from the Congress, to be a traditional liberal Democratic President, which was basically against his inclination. But he got torn in that struggle.

**Young:** He got sucked into their agenda.

**McIntyre:** Absolutely. He got sucked right into the political agenda.

**Harris:** It's a function of people who manned the key jobs. Where did they come from, what

was their background? If you look at the key jobs throughout the administration, they were manned by people who essentially were a part of the traditional Democratic establishment in Washington, with some exceptions, but generally they were that way. This was true particularly in what I would have called assistant secretary, deputy assistant secretary, assistant administrator positions, etc., who dealt so often with the smaller issues that affect the views of many people who deal with government or the administration. Early on, I think people and their viewpoints were allowed to run freely. Later on, when you tried to control that and draw it back into the center, it was impossible.

**McIntyre:** Even though Van makes a good point that the President may not have been able to balance the budget anyway, the fact of the matter is that had he come in and captured the government instead of being sucked into the traditional Democratic agenda, he would have been able to continue to push these ideas of fiscal restraint without the flack that he got when he did have to push them. He could have appealed to the broad spectrum of the American people that Reagan appealed to—frankly, the middle class, middle income people—because he had done basically what they wanted. He had tried to rein in government, to restrict the growth of government and, in effect, to get government to limit its intervention aspects.

**Young:** Memories are faulty, but as I recall, there was not even the faintest reflection or analysis in the press accounts that there was anything that one could call a mandate for this sort of thing when Carter tried it.

**McIntyre:** Well, there wasn't a mandate.

**Harris:** A mandate of what sort?

**Young:** As far as spending restraint goes.

**McIntyre:** In fact, we had all kinds of problems with the Democratic Party on the Hill.

**Young:** You mean out in the country there was support for spending restraint?

**Harris:** Well, every time you took a poll, the poll clearly indicated a growing majority of American people wanted the budget balanced, spending reduced, etc. You take the same group of people and you ask them about specific programs, and you don't get a consensus on any one program.

**McIntyre:** That's true today. Oh, that's true today.

**Young:** Yesterday, I believe you said, Herky, that you and Jim were the only two in that audience who clapped when Carter gave a speech about fiscal restraint, and I'm just saying you must have had the wrong audience in the room.

**Harris:** We had the audience of traditional Washington Democrats.

**McIntyre:** For that kind of speech.

**Harris:** Even today President Reagan is not enjoying popularity because he's cutting budgets. There's nothing popular about cutting budgets. It is the most unsexy politics going.

**McIntyre:** It's awful politics.

**Young:** A tax cut is a different proposition.

**Harris:** But there's nothing to be gained there, and this is where we failed miserably, I think.

**McIntyre:** I was trying to get back and tie this into your original question about politics. There was a small vocal group in the administration that argued for general election politics, because I, for example, never believed that Kennedy could beat President Carter. I just never believed it. Even after he got in and had all the popularity that he seemed to have, I never felt that he could win in the primaries. I continued to believe, therefore, that Carter ought to aim his political thrusts toward the general election politics, and I continue to believe that to this day.

**Ooms:** It seems to me you had an interaction with two fatal problems. One relates to what Herky is talking about—which is that this was a transitional Democratic Presidency in which the old politics weren't really working. The old constituencies weren't sufficient. Nobody had really defined the new ones yet. So it was very hard to sort out what your constituency was, and therefore there were never any clear priorities set with respect to who is the Democratic constituency.

**Young:** The constituencies were the groupies.

**Ooms:** That's right, because they were visible. But even there the priorities were never clear. Each time it was an individual decision to try and keep somebody from jumping ship. But the kinds of fundamental questions as to who belongs on the ship and who doesn't were never asked. The underlying assumption was that everybody does, so you needed to keep business on, and you needed to keep labor on, and you needed to keep the farmers on. You needed to keep everybody on, and there was never, at any point, I think, a really tough thinking-through of the fact that you can't please everybody all the time. You've got to make some tough decisions and sort out priorities.

I state this as a distant observer, because I was not privy to Oval Office meetings, but in watching him in budget meetings and so forth, I had a sense of the paradox that you referred to originally with respect to being political and being apolitical. I had the feeling that there was never any real integration of the two. It seems to me that successful political leadership required an integration of substance and a political base in a way that the two flow naturally one into the other. I always had the sense of a man who was an engineer, who truly believed that if he knew enough about the details of a subject, he could make a decision that was in the public interest rather than in the interest of particular groups. Therefore, you needed a lot of information; therefore, you needed substance; therefore, don't bother me about the politics.

But then, suddenly he would be forcibly jerked back from this position—which was an apolitical,

analytical position—into a sort of purely political context in which a decision had to be made, and I don't think that was ever resolved. I don't think it was ever integrated. I had the feeling of moving between the two but never of pulling it together.

**Harris:** I had a definition of the kind of voter that Carter needed to get to win again. Jim's heard it many times. This voter is a person who lives out from town, with a small house of twelve or fourteen hundred square feet, and with a wife and two children. He works in an hourly paid job, and makes about \$18,000 a year. His wife works in a clerical white-collar job and makes \$10,000 a year. Between the two of them, they have a gross income of about \$25,000-\$30,000. The children are in school.

The parents grew up as Democrats, and everyone in their family was Democrat. These people are now scrambling hard to make payments. They've got a car and a truck. They like to do things themselves. They are not particularly enamored of fanciness, and they are dedicated to succeeding at their own level. They're turned off by giveaways, they're turned off by food stamps, they're turned off by other ways the government subsidizes the life of those who don't succeed. They're not racist at all, and they don't even think about it because that's a historical issue in the political sense.

But they're really concerned about government waste, government giveaways, and what have you. They're not concerned to the extent that they're going to write to papers about it, but it bothers them and makes them mad as hell because they're paying more in Social Security taxes, more in taxes themselves, and getting less for it. The house tax is going up, the sales tax is high, what have you, what have you, what have you. They're irritable. Although they're born and raised Democrats, and their parents are raised Democrats, they're independent. Their decision is more affected by what they see on the evening news than it is by anything a coworker, a union leader, or a family member would tell them about the political realities. In my judgment, that's the group that elected him to start with, and the group that turned him out the second time around.

**McIntyre:** That's the person who could react and did react to the question, "Are you better off today than you were four years ago?"

**Harris:** And that's the person, regardless of who these interest groups in town claim to represent, who may have been a member of the Nurses' Association, or may have been a member of Carpenters Local 23, but didn't vote on that basis.

**Young:** I remember Carter's acceptance speech when he was nominated. It was one of the strangest acceptance speeches I've ever heard. It was very odd. I asked myself, "What is the audience for this speech? To whom is all this making a great deal of sense?"

**Harris:** This was '76?

**Young:** Yes. And it seemed to me the intended audience was exactly the kind of voters you just described.

**McIntyre:** It's really funny. Every time the President would get out on the road in 1976 and get away from his campaign base for a few days, he would start making these very traditional liberal Democratic statements. And he'd start going down in the polls. Right after he would make those statements, Charlie Kirbo and Bert Lance would get on the phone with him and tell him, "You know, you've got to come back this way just a little bit." And he would. He knew where he had to go.

**Young:** How was touch lost with those people?

**Harris:** Because the guy I just described was not represented in the decision-making when we decided to extend food stamps from five percent to twelve percent of the population. This guy's views were not represented by any interest group in Washington. And they weren't represented by OMB, because we didn't know how he felt either.

**Young:** Is that what Carter had in mind when he called Washington an island?

**Harris:** He never described this fellow to me. This is my Joe Blow.

**Haider:** I want to get back to that veto thing again, Jim, because I think there was a period there in those first two years that you could count the number of Carter's vetoes on what, three fingers? I know he didn't have any the first year.

**Young:** Before you came, they talked about the no-veto policy.

**Haider:** It appeared that after '78, people said, "Well, what's the substance in that strategy?" Did you look at that as kind of a triumph of technique over purpose? Where was the substance of the programs other than incrementalist expenditure policies? I'm just wondering if what really began to sink in in '79 and '80 was a realization that you would have to get a little tougher on this, that it's not just simply that we have been unable to show great relationships with Congress. That more was needed than an improvement in relationships from the Ford era. Was that openly talked about—using the veto, using other measures?

**Harris:** We talked about it, but I didn't see anybody else talking about it. Every time we talked about a veto, people would start leaving the room in order to go throw up. The veto is the one thing the Constitution provides the President a unilateral power over, and I felt that we had to use it in a proper way. Sure, we'd get some of them overturned. It was fine if we got all of them overturned. The key thing is that we did have the power, and my feeling was that when you're not respected by many members of Congress, one way you gain their respect is by showing that you will use the power you have available.

Again, I was a congressional relations person. God, I suffered every time we vetoed one, because I had to go and explain it. But I really felt strongly that we had to veto more things, and I was a strong proponent of it through Jim in the meetings and in direct conversation with Frank's staff. But we just plain disagreed on that.

**McIntyre:** There was, again, almost a schizophrenic attitude about vetoes. For example, the first

year, there were none. The second year, we got very concerned about it. I wrote the President a soundly analyzed memo about vetoes and how they had been used and so forth. I got back on that memo a little handwritten note, "I agree." Well, if you follow on through the administration's history, there were some vetoes that were enthusiastically endorsed by the people in the administration. For example, as I recall, the water projects construction bill in fall of '78—there was a tremendous amount of enthusiasm for that veto.

**Harris:** And for all the wrong reasons.

**McIntyre:** That's right, for the wrong reasons. There was a tremendous amount of enthusiasm about that; yet when we would get a bill like the veterans' bill—which we vetoed in the latter part of the administration—we got stomped on by an override. Everybody was opposed to that veto, although it was probably a more troublesome situation than the water projects bill.

**Harris:** You can't make the veterans mad. That was the statement. Well, if you made them mad, all they'd do is vote against you.

**McIntyre:** What I'm saying is that there were two or three instances where there was a great deal of enthusiasm about the veto. But in most of them, there was no enthusiasm at all.

**Harris:** Let's take it a step further, into some of the subtleties here. Jim wrote this memo, and the President said, I agree. So, using that, you had to do something about it, and those seeing the President agreed that we had to have a veto strategy. Which bills are we going to veto? Well, let's plan ahead so you know what you're doing when you do veto. All that was some sort of a charade we went through so that they could warn the other side it might be vetoed. So then the pressure would build, and we wouldn't veto it. The result was we never vetoed anything. We vetoed bills—and I don't know how many we vetoed the whole time—but the point is that the strategy to plan ahead and properly warn people turned out to be our undoing.

The real purpose of the strategy was to warn them so they could fix it. To a degree, we needed some of that, but I think we probably overdid it. We worked at it and worked at it and worked at it, and everybody and his brother looked at lists. Jim tried to develop this, and John White worked on it, and I worked on it, and Jim worked on it. Frank Moore worked on it, and Stu's staff worked on it and, "Woe is me, we can't do this because that would be the end of the world." The bottom line is we didn't veto any bills, we still didn't have any amount of respect on the Hill, and we were not inordinately successful in our programs, either.

I get back to the original point. If we had vetoed more bills, I think we would have done just about as well if not better than we did anyway. Therefore, what did we gain by giving up that one important constitutional provision which gives the President the ultimate power? We vetoed little odds and ends, and it would come back, and we'd fix them the next time. Maybe not fix them perfectly, but instead of ramming them down our throats, they negotiated them. I remember one bill that we vetoed, and there was no override, ever. We vetoed the darn bill, came back the next year, fixed it almost exactly like we wanted it, and signed it. The difference was we negotiated it. Another bill we vetoed was the fire fighters' Cabinet bill. Federal firemen would work three hours a day or something like that?



**McIntyre:** It was the pay.

**Harris:** Yes, the problem was the pay. It was extraordinary pay, beyond that of other government workers. It was sort of like the PATCO [Professional Air Traffic Controllers Association] situation. The President vetoed that, and, you know, the world was coming to an end. Well heck, Congress kept running it back at us over and over again. But it never passed again, because we vetoed it. It was not a heck of a lot of money in the macro sense, but the idea that they would just take it and ram it down our throat in the face of a threat to veto it—well, we had to veto it. Yet even though it had been threatened, even though the President's name was out there, the pressures not to veto that bill because of the group you'd make mad were enormous.

**McIntyre:** Let me give you a good example about some ironies of government. The tourist industry had been trying to get the tourists this little tourism bureau in the Commerce Department set up as an independent administration for several years. Well, we fought that thing and fought that thing. It's peanuts, with the whole total like \$8 million. The Congress passed legislation in 1980 establishing that tourism activity as a separate bureau. OMB was the only group in town that wanted to veto that little old bill.

We informed the President that it had also created an undersecretary position in Commerce for them, and we just said, forget it. First of all, the government shouldn't be in that business. That's what American Express and all these tourism companies do anyway. They promote, and the states promote, tourism to the United States. There's no need for the government to have somebody overseas to do that, and if they want to do it, let the commercial attachés who are Commerce Department employees now do it. We convinced the President it ought to be vetoed. Would you believe that with this very strong Republican President in office who's slashing budgets left and right, he signed the bill that created this independent agency with an undersecretary in the Commerce Department heading it?

**Harris:** Undersecretary?

**McIntyre:** Undersecretary. Now that's an irony of all ironies in how people approach government, how they use the veto power, how some Presidents sign legislation that other Presidents have vetoed and made big issues of them. To me, it was basically a non-issue in the first place. But those are the kinds of little problems that create tremendous conflict within an administration and can really cause the President terrific problems on the Hill, as well as with the outside.

**Young:** And no public liaison work was involved in this program?

**Harris:** The way we handled it was one of the principal reasons we were perceived as being so weak on the Hill. I'm not saying publicly perceived, but on-the-Hill-perceived as being weak. I was a total failure in convincing my cohorts of the importance of the veto as a congressional strategy.

**McIntyre:** What did you do successfully?

**Petkas:** One thing that has emerged from this discussion is a critical problem in the organization and policy advice of the domestic policy advisor and his operation. That's the point where the assessment of interest group politics frequently came to the fore. First of all, how did the President view the kind of advice he was getting from the domestic policy advisor and his staff? Did he view it as political, as analytical, or what was his view of it? And secondly, what was your view of it?

**McIntyre:** I really don't know how the President viewed that advice. I really can't speak to that. They often had some very good ideas to present. And their analysis varied. Sometimes their analysis was really done by my staff. You have to evaluate their advice basically in terms of where they were coming from in giving that advice. Were they really looking out for the Presidential interest, or were they basically expressing the views of interest groups to which they were attuned?

I'm not at all trying to minimize the need to communicate with interest groups. I think that's important. In the business world, we call that marketing. You find out what the public wants, and you sell them a product. But in government you have to be careful about that, because you don't want to find yourself an advocate for a very narrow point of view on a broad public policy issue. If you look at the makeup of the domestic policy staff, you'll find that most of them had either worked for special interest groups or had been part of the public interest lobbies. I'm not denigrating that kind of background, I'm just saying you should be aware of it.

**Harris:** Or from the Hill, where they had very clear interests.

**McIntyre:** That's right. They were looking at things from their own background and environment as opposed to from a Presidential point of view. I think that type of advice was detrimental to the President because it didn't take into account the overall picture, either politically or substantially, about where these particular decisions fit into the President's objectives of holding down the size of government, reducing the growth in federal spending, and cutting out paperwork. If you go back and look at some of the programs that were presented, they were basically expansionary. Those kinds of things got the President in trouble, because while he was saying, "I want to reduce the size of government," what he was doing was increasing the size of the government.

**Young:** The idea that comes across here is that the domestic policy staff was close to the President and served as one principal source of advice that really should be looked at as an outpost for promoting certain kinds of issues and policies. The evolution of the domestic policy staff and of that kind of center for the convergence of interest group pressures on the President is something that should be taken into account as one looks at the operation of the staff system and Carter. I'm making this point because this certainly was not the way the domestic policy staff started out when it was first established. It was established and put under Ehrlichman for quite the opposite reason. It was to keep those things under control.

**McIntyre:** This staff didn't really look at domestic policy in terms of any philosophy of government. There was an implicit policy there, and it was an expansionary policy. Get

government more involved in things. Look at the urban policy. This was basically a program of more government grants, and the expansion of government in general. There were numerous other programs—consumers co-op buying group, for example. You know, it's probably a nice idea to help some co-ops that want to provide food at low prices for people. But look at that in the context of what government is all about. Is that really a role that this government ought to get into right now, particularly when you have all the economic problems you've got?

**Harris:** The domestic policy staff oftentimes was the advocate within the White House for the positions taken by various assistant and undersecretaries and deputy assistant secretaries. They not only were representatives of interest groups directly, but they also were fighters within the establishment of these positions. This took form, as Peter well knows, during the budget process. They would come and argue their points there. I think to a degree there is a role for a healthy debate. But I think when the decision is made, then that's the time to go forward and lock arms together as we did on many instances. We lost a heck of a lot of battles on these things that we expected to, going in.

But essentially, OMB did very little back-dooring. I don't know of an instance where we disagreed on something and went up and then made some half-hearted effort to get Congress to go along with the President. That wasn't our style, and we didn't do it that way. Even those who did not like OMB will say that, for the most part, we got money in the appropriations for projects that were decided to be administration policy. And when we didn't, it wasn't because we didn't try.

That was extremely important to us in our credibility internally and our credibility with the budget task force. It was important that we go forward and seek out funding for projects, even if we didn't agree with them. This was because we couldn't just be a vulnerable opposition and still survive within the framework we had to operate.

**McIntyre:** Numerous times I went to the Hill to argue for stuff that, from a public policy point of view, was crazy.

**Harris:** I don't think that with the other EOP groups there was any effort to undermine. I think it was the laxity of discipline early on, plus the sense that the job wasn't being done by the advocates on the Hill.

**McIntyre:** There's a very important difference too between, say, a staff like the domestic policy staff and OMB. OMB has a long institutional history, and it has basically an institutional point of view. Directors don't always present the institutional point of view, but if you take a hundred of their director's decisions, you'll find that in 97 % of the cases, they're basically reflecting the OMB institutional point of view.

There was not a domestic policy staff institutional point of view. It was a lot of individual positions reflecting basically an advocacy position either on behalf of the agencies, some constituent group, or somebody on the Hill. I can't tell you the number of times that we would try to make a decision affecting a program that some people over there had worked on, and as soon as they had heard what we were going to do, they would be in contact with their people on

the Hill to lobby them.

**Petkas:** They heard about it in the budget directory.

**McIntyre:** With the directory review, they could immediately contact their friends on the Hill and get them to lobby.

**Young:** This is evidence that this kind of network consisted of not only outside groups but groups within the Department. Part of it stems from a person having nothing to do with personality. That is, this domestic policy staff didn't have any responsibility for fiscal consequences. You would almost expect that to happen, even with the best of intentions.

**Harris:** We didn't establish as an overall goal of the administration, with everybody signing on board, to balance the budget. So as we moved toward balancing the budget, the debate did not become, "How can we join together to do it?" Rather, it was, "Whose ox can be gored to get money for mine?" It was, "Expand the pie, or give me some of someone else's." And we were constantly in a conflict that was very difficult to balance.

**Petkas:** But was there an effort by the domestic policy staff to carry out certain Presidential campaign commitments?

**McIntyre:** Some of them did. In fact, there were some people who set themselves up as keepers of the campaign commitments.

**Harris:** They kept certain campaign commitments they agreed with more effectively than those they didn't agree with.

**Young:** One factor operating independently of personalities was the fact that they did not have this accountability. Another was that in a retrenchment situation, there's going to be a scramble for resources. You have a natural tendency to say, "Every man for himself."

**Petkas:** Were there not other Presidential staffs, and Vice Presidential staffs, who had similar interest group connections?

**McIntyre:** Yes. Hill connections and agency connections.

**Harris:** Go to any Presidential budget review and you'd ask, "Who's going to come and argue with us today?"

**McIntyre:** I opened up the directors reviews at OMB because I felt that debate was healthy. I had no idea that this was going to lead to what it did. I guess I was naive in this respect. I had no idea to what lengths people would go to head you off at the pass, including people in the administration who should be able to walk out of the room and leave the issue or debate in the room and serve the President. I had no idea just how far people would go in not following what I considered very basic principles of serving a President.

**Harris:** To balance out the discussion a little bit, the people working on the domestic policy staff were hard working, aggressive, intelligent people, and I think they really thought they were carrying out the Presidential mission. Their interpretation tended from time to time to differ from ours, but I think in their heart of hearts, they were really trying to do what was right. And to a degree, towards the later years, I think they began to realize that some honest adjustment of the growth in the size of the pie had to take place, and tough and hard decisions had to be made. I think their internal debates among themselves grew more intense as it became obvious that we couldn't do everything plus five percent each year. I say that not in a patronizing fashion. We supplied information for some of those debates because we were seeking allies on some issues. So from some of their divisions within came a source of support for us in debates, particularly in the winter of '79.

**Ooms:** A major transformation took place in the 1980 budget winter of '79. I wasn't involved at OMB in the '79 budget. I was up on the Hill. But when the President got himself publicly committed to the \$30 billion deficit for the 1980 budget, even though it wasn't balanced, it was a firm and hard commitment to \$30 billion. That was the first time where there was really a public commitment made to some overall constraint, and everybody quickly realized that that was as far as you could go. In other words, if somebody got more, somebody else had to have less.

**Harris:** Jim, can you remember how that commitment came about?

**McIntyre:** There was a tremendous debate over that, and there were only two people who argued that the President had to make that kind of commitment.

**Harris:** Do you remember the role that Henry Bellmon played in it?

**McIntyre:** Yes, and Bob Giaimo. We had members of Congress down to talk to the President about what he ought to do. There was some strong support from the members of Congress, particularly from Bob Giaimo and Henry Bellmon, who were on the Budget Committees of the House and Senate, respectively. From an economic point of view, I think there's probably some legitimate debate as to whether it made any sense. From a practical point of view, it was the best weapon we had. It was the only weapon we had in an administration that didn't know how to establish priorities and how to say no, at least on the margin.

**Harris:** It provided an extremely valuable weapon in forcing these priority decisions to be made. Again, as a participant in the exercise, I can tell you that it was extremely difficult to get them to settle on priorities. They would come in and agree in the morning, and in the afternoon they'd talk to somebody who would change their mind.

**McIntyre:** I think that was one of the most frustrating things about the way the senior staff worked. No decision was ever final. It depended, at least in the case of Stuart, on who got to him last. And I always tried to make sure that we settled on these issues and got them into the President for a decision, because it was very difficult to get a final decision.

**Petkas:** You forced more decisions to the President, then? I was just saying that that was another aspect of forcing decisions to the President so you could get some final closure.

**Young:** The first budget director—General [Charles C.] Dawes back in the 1920's—made a statement that's found its way into a lot of books on the Presidency. The statement was that members of the Cabinet are the President's natural enemies. I'm asking myself whether the expectation of having a cohesively disciplined Executive Branch is in these days realistic.

Those who were taught about the Presidency in the 50's by people like Dick Neustadt were taught that you can't view the Executive Branch as the President's branch. It belongs as much to Congress as it does to the President, and perhaps more so. In dealing with it, a President has to assume that it has all the fragmentations and conflicts of interest in it that a disorganized Congress would have. Is it really possible to discipline such an inescapably disharmonious branch? In a sense, what you're saying is that those inherent sources of disunity and of undermining the public interest as expressed by the President were exacerbated by some particular steps taken in the way this administration went about its appointments and organization.

**McIntyre:** I don't think you really want a Cabinet of "yes people." I never wanted to surround myself with such a group. I wanted strong individuals, people who would feel free to make a case. But in government, just like in business, once you've made your case, you either should accept the President's decision and set about to implement it, or—if it comes to a matter of principle—you should resign. If you can't accept that kind of philosophy, then there needs to be somebody in the administration who can fire you, to instill discipline in some fashion.

**Young:** For your two examples, you might pick out the difference between Vance and Califano.

**McIntyre:** Yes, I think so. The President has to have a wide variety of viewpoints in order to make a good decision. So many of the things in the government now overlap. I don't know of any decision that affects only one department. Therefore, most decisions of a programmatic nature affect departments with differing interests in the outcome, or in the policy choices you make. So I think that debate and a wide variety of opinions is important for a President to enable him to make the best decision he can on the facts available to him. But once that decision is made, I believe the people who work in the government ought to fall in behind the President and support that decision or get out.

**Harris:** The point that you make is very accurate. I don't think you ever have the perfect world where you'll have everybody pulling together. I do think, though, you can have one where there's a tad more discipline than we exhibited.

**McIntyre:** More cohesion than there was. It looked like there were a lot of individual wheels spinning out there.

**Young:** I understand. I wanted to put this into context so that it would not appear to be a peculiar problem of the Carter Presidency or a peculiar failing of it. All Presidents have grappled with this. You did some things at the beginning that sort of made it worse, but it's always going to be a problem.

**McIntyre:** The current administration is having this problem.

**Young:** And they always get worse.

**Harris:** You cannot have that many high-powered individualists who are extremely smart and expect that you're going to have a cohesive, perfect cooperative out there. You've got egos beyond belief, and you've got interests that are there. The point that's safe to make here is what Jim said yesterday. OMB's role was by design diminished early on in the administration. As we grasped for the traditional role, these tensions that were there began to surface. They didn't surface in fights in the hall or anything like that, but they surfaced in nuances, in debates, and what have you. We won some, and we lost some. But we didn't keep score, because it didn't make any sense. You just have to have better discipline to succeed, and I don't think we had it.

**Young:** You weren't helped, either, by the state of the party, which sometimes helps as a cohesive device.

**McIntyre:** Let me make this clear. I think most of the people in the administration liked each other personally. It wasn't a personality problem. There may have been one or two of those, but I think basically, at the senior staff level, all the senior staff liked each other individually and as persons. The real issues developed over what was proper policy to follow and what was the President's interest in this.

**Kettl:** I have a question that gets at some of the same things from a different angle. It's a question on the potential for political control of the economy. I cannot remember ever before there being the kind of cheering section for a recession that emerged about halfway through the Carter years. There was a clear sense that there was a recession coming, and a belief among some people that if it came sooner, then the economy would be in an upswing when the election came. If it came later, it might come at the worst time. Reagan, in fact, may be enjoying that precise kind of luck right now. The question that I'm wondering about is to what degree you felt that you had any influence at all over when the recession occurred, and how broad that discussion was among members of the administration and economic advisors?

**McIntyre:** There were a series of anti-inflation packages that were designed to try to cool the economy, to slow it down. We did project there would be a recession in one of our forecasts. It was one of the latter forecasts in '80 or '81. It wasn't that we thought a recession was a great thing for the American economy, but we did think we needed to slow it down, and we tried to make our economic projections as honest as we could. I was certainly not pulling for a recession. I was pulling for slowing down the growth of the economy. We had underestimated the underlying strength of the economy each year. Economic performance was much stronger than we had anticipated, and I was basically for trying to slow it down and to help cool it off to help get inflation down.

There was no joy when we had that deep recession. I believe that recession occurred in summer of '80. If we had tried to engineer it, we would have engineered it in '79 as opposed to the summer of an election year. But it did occur. And it probably occurred because we had continued to tighten down on fiscal policy in '79 and '80. Coupled with that were the high interest rates

that occurred when the Fed changed its monetary policies in October of '79. I think all those things came together and caused the recession. As I recall, the recession occurred in the second quarter of 1980, which didn't show up until the following quarter, right before the election.

**Harris:** I remember it differently.

**McIntyre:** All right.

**Harris:** I remember we talked about going ahead and tightening the screws down hard in '79, but we got talked out of it. Oh, woe is me, nobody can suffer. That is, if we do everything perfectly, we won't have a recession at all, and everything will work out and be normal. I remember it quite well. As I recollect, it was during '78 that the decision took place to do it in the cycle. I guess it would be the FY'80 cycle, and we did not do it.

**McIntyre:** If it was talked about in '77, it would be in the '79 cycle.

**Harris:** It was after the '78 submission as we got into the summer months. I don't remember the timing, but I do recollect that we got talked out of really tightening down the screws because it would lead us into recession, and there would be higher unemployment, etc. We got talked out of it by a variety of groups, with the Secretary of Labor being the principal among them. And there was the undermining that went on there—domestic policy staff, Jack's group, Wexler's group, Frank's group. All of them pointed out that we couldn't do it to them.

The issue would have been a problem in the '78 elections if we had engineered it or let it happen. My timing may be slightly off, but as I recollect, we talked about doing it once and even formally acknowledged the economic assumptions that we were going to have a recession. We made a big to-do about it, yet we didn't have it when we said we were going to have it. You know, it was as if we hadn't told them. We probably could have snuck up on it, but since we warned them, it pushed off a ways.

My own opinion is that, had we taken it earlier when a number of us suggested it, it would have been much better for the economy, and much better for the President. But again, political considerations won out over economic ones, and so when the political EPG [Economic Policy Group] made a recommendation, it was a modified recommendation that was argued strenuously when it went before the President. Now that's my recollection again. And mine is mostly hearsay and conversation with Jim and others along the way. I was not a part of the decision-making group.

**McIntyre:** I never advocated a good old-fashioned recession, and I don't think that would have been a good thing to do. I did advocate a slowing down of the economy and basically a no-real growth situation. You have to remember that Democrats have traditionally been more concerned about the unemployment rate than have Republicans. There was a tremendous concern on the part of people in the administration about a rising unemployment rate in an election year. If you're going to slow down growth, you're naturally going to have some rise in unemployment. But what surprised us about the drop in the unemployment rate early in the administration was that it went much faster than we thought.



And it held there. It hasn't really jumped up that much, even to this day. There are a lot of other things. Not being an economist, I don't know a whole lot about some of the details that go into these computations, but we were still operating on the concept of full employment at four percent. Well, I know of only one or two economists today who still believe that. I think the full employment rate today is much higher than that. So when we got down to about 5.7%, we should have realized what the implications of that rate were with respect to inflation and the so-called full employment budget. But we couldn't change that traditional Democratic outlook, we couldn't change its concepts. There were a number of considerations like that that convinced me that the economy was in pretty good shape, and that what we needed to concentrate on was inflation.

**Harris:** That view was not shared, though, and that was part of the great dilemma.

**McIntyre:** Our former Secretary of Labor would sit right here today and tell you that four percent unemployment rate is not inflationary and is achievable and realistic in today's economy.

**Harris:** That whole debate was one of the principal focuses of the internal differences that we have talked about so much. The unemployment rate, I think, stayed under six percent on an average for four years. You had a tremendously huge growth in jobs, for one thing.

**McIntyre:** About eight million jobs.

**Harris:** And you also had the emerging acceptability of dual income or spouse employment as a standard way of life. You merged all that into the system, along with the enforcement of the EOC [Equal Opportunity Commission] laws, which forced them into a more competitive situation. We kept employment under a certain degree of restraint, and yet we still could never reach an agreement on that issue. It was a very decisive debate for the whole time I was there and, at times, a strident debate.

**Haider:** Didn't you have in '78 the big issue that the first big industry in the recession is housing? And you know you're never going to take on the Secretary over there and all the interests involved.

**McIntyre:** About a year later, we got into the big housing debate. Housing did drop from around two million down to about a million six, and then it went down to about a million three. Everybody started getting excited and wanted to trigger [Edward W.] Brooke-[Alan] Cranston, which was a \$10 billion expenditure program.

**Harris:** That was a function of our October budget policy. The Fed's redefinition of money supply in October of '79 led dramatically to that change. The issue was, do you tighten the screws with monetary policy and stimulate the heck out of it with fiscal policy? That was a great debate at the time, and that was the Brooke-Cranston debate. For the good of the country, Jim won out on that one, and we were able to have a consistent fiscal policy and monetary policy. If you recall the '74 crunch, the Feds were tightening down the screws, and the administration was priming the pump. They had discounts, rebates, etc., and all they did was put off the super crunch

until now, which is what we're in in 1981.

**Thompson:** My question has to do with two factors that sometimes are said to have contributed to this image of incompetence in the administration, of ineptness, vacillation, and the inability to make up your minds. One is open government, and that began with the Inaugural, with the acceptance speech, and the march down Pennsylvania Avenue. It all gave Democratic people a sigh of relief that the [Henry] Kissingerian era was coming to an end, and one almost saw Kissinger's rivals within your administration having had a hand in writing that part of the creed.

But it pretty soon spilled over into letting everything hang out. People knew about the disputes. Maybe they always do. But when you begin to have Executive Branch people at the NSC level and others hiring press officers, that certainly carries it maybe one step further. That was an element and it was reinforced, it seems to me, by this notion of pairing ideological opposites.

Paul Nitze claims that the President during the campaign once answered a question on who were his foreign policy advisors by saying, "The two Pauls, Paul Nitze and Paul Warnke." The Annapolis speech was, paragraph by paragraph, two ideological opposites. If you had to pick opposites on Soviet policy, certainly Brzezinski and [Marshall] Shulman were opposite, and there are the other opposites that you mentioned before. But I wondered if those two elements had something to do with the fact that the public got an idea that here was a group that really didn't know what they were doing.

Whereas from the family up to the world community, what we have learned is that the only way often to get a settlement of a dispute is to do what the President did at Camp David on the peace process. In a way, whatever history may say, this was his single greatest diplomatic success in terms of bringing two absolute antagonists together. But he did it without open government. He did it in a sense without having people constantly issuing press releases from opposite ideological viewpoints.

**McIntyre:** I believe that there was too much openness in the administration. I don't believe that you have to totally shut the press out to achieve your desired results of debating issues and coming out with a position that you put forward as the administration's position. I think, basically, it goes back to this concern of mine about the lack of discipline in the administration. People talked freely with the press. Not just senior people—I'm talking also about some of the most junior level people in the administration. And they felt no restrictions on their ability to sit with the press and tell them everything they knew and even tell some gossip that they had heard about who was where and what was what and what was going to happen. I found that to be absolutely incredible. I felt that there were people to speak for the President, that there were times to speak to the press about what was going on, and that this total communications thing was hurting the President and hurting the administration as a whole.

I go back to the point that there was no established policy about who could talk to the press and how, when and under what circumstances. I don't think that that kind of policy is inconsistent with the concept of open government. When people did go to the press, there was no discipline about it. It got the point, frankly, where some people had to go public in order to protect their own reputation, their own policy positions, their own institutional concerns. The other side was

going public and getting away with it.

And so what you had was competition for the press within the administration. I personally felt that was extremely detrimental, and I know the President didn't like it. But again, we go back to the point that there needed to be somebody in the administration below the President to discipline that type of activity. We just didn't have it.

**Young:** Do you think that by contrast and comparison the Reagan administration has it?

**McIntyre:** They've done a much better job than we did, no question about it. They have controlled the flow of information so that it comes out basically when they want it to come out. There have been some exceptions to this, usually when they want it to come out after they've made the decision and their disputes don't get aired in the press. One or two of them get in the press, but basically it's after the dispute, and not while it's going on.

**Harris:** Ken's other point on ideological opposites is a good one. I think the President fashioned himself, and I think that history will prove that he was truly a moderate in virtually every regard. He was not an extremist on any issue, although he has been portrayed as such. I think he was truly a moderate, and what he was trying to do was to seek the opposite views, and in this fashion to arrive at his own, based on extremely intelligent input from people on both sides. I don't think he did it to waffle, but I think the perception came out as waffling. That was unfair, because I think what this country needed at the time he came in was moderation. I think what the poor people—the users of government services—needed was a sympathetic and thoughtful person who was going to take things away but try to do so in such a way as not to hurt anybody.

**McIntyre:** He'd be compassionate.

**Harris:** A compassionate ruler, so to speak. And I think they missed completely the import of the compassion that he had in withdrawing government largesse. Now they are realizing, in many instances, how nice that compassion was. As far as the foreign policy is concerned in relationship to Russia, early on in the administration Hamilton said this: "We can't win the election without passing the Panama Canal and SALT [Strategic Arms Limitation Talks]." I couldn't quite understand why, but I remember that, and I was very concerned about both of them because respected his powers of foresight.

I think the electorate proved one more time that foreign policy has very little to do with the ultimate outcome of the election. It was on the economic debate that we lost, and President Carter lost. The issue of the Panama Canal was good. You all haven't gotten into that. Maybe this isn't the group to talk about it. On that occasion, he used different viewpoints to try to fashion that middle-of-the-road alternative. Jody said to me one time, "We've got forty-five percent mad on the left and forty-five percent mad on the right, so we control the center, and we've got ten percent with us."

That was a pretty good statement of our problem all the time, which was a political problem. But it was what the country needed. Not extremes, but a settling down. He did that, and even if I'm biased, I think he should be congratulated for it.

**Rhoads:** Carter was fundamentally moderate, but he was also a bad communicator. Part of the message yesterday was that you weren't very good at letting people know how seriously he was taking this job and that his were sensible, middle-of-the-road policies. I wonder if there's a difficulty in communicating that. You say he was someone who fundamentally liked all the things the Democratic programs did, but found no room to do any of them. How do you communicate this? It may be easier to say with Reagan that government is fundamentally malevolent. We do it ourselves—it's a great country because we made it great. It may also be easier to communicate Kennedy's philosophy: This is a problem, there are people who need help, we're the party that's helped them, and we're going to help them. How do you say, "I'd like to help them, but we can't do anything right now"? How do you communicate that?

**Harris:** I don't know that I ever said he was a lousy communicator. He was not. I thought he was better than he got credit for being. I don't think he was the greatest speechmaker the world has ever seen, but I think he said things clearly and distinctly, and if you listened to him, you could understand what he was talking about. I just think that he was not as bad as he has been criticized for being.

**McIntyre:** I don't think his being a poor communicator was so much the problem. We shied away from hokey-type things. By hokey things, I'm referring to things like what President Reagan did with the dollar on his speech about the budget. We would have seen that as hokey, as an extreme way to make a point. I consider myself a moderate. I'm not a radical on either end of the scale. And it's very difficult to enunciate that position because you can see both sides of an issue, you can see some merit in alternatives presented to you, and what you try to pick is the best alternative and not the most radical alternative. So you bog yourself down in explaining in terms of technicalities, and it becomes more complex than it really is.

What you find is that people on the two extremes can be much more simplistic in explaining their position than a person who's in the middle on an issue and who tries to explain it in more complex, technical terms.

**Harris:** But I think the issue is beyond just a position. If you'll look back at the problems we had in convincing people of our position, there was a pattern. First you'd have the leak, then the furious hell raised by those who felt like they were being ignored, and finally the internal debates that were publicly aired. Take the September of '77 HUD [Housing and Urban Development] issue, when Jim and Pat Harris squared away. I recall stories in the newspapers about how she would resign if she didn't get what she wanted. Her purpose was to bring pressure to bear.

There simply was no goal congruency within the administration. I think that lack of goal congruency led to much of the perception that we were not successful in doing things. It led also to the perception by those who were leaders of the interest groups that they were being taken advantage of, or were not getting a fair break. That's another one of the communication problems that was under-recognized, and I think it was the main problem we faced. No matter what we did for someone, the advocacy group never felt they got adequately taken care of. And the general public saw it as a lot of foolishness. Again, it was forty-five percent on one side are unhappy, forty-five percent on the other side are unhappy, and ten percent may be happy about

it.

So communications was not just Jimmy Carter or Jody Powell. The communications problem, I think, stemmed from the inaccurate information that was put out by advocates trying to influence a decision. This hurt us as much or more than anything else in that administration. There was the perception of incompetence. But we were not incompetent. And I don't have any suggestions on how we could have prevented it. But I consider what I have just said to be quite a problem.

**Thompson:** How many of the people who leaked were there because you were concerned about getting a higher proportion of youths, and blacks, and women into the administration? The President often spoke, and rightly, of the fact that he had brought more of such people into the government, people who were relatively new to government. There was a certain segment of academia that came in, too, and some of them were articulators of their views. Did some of it occur as a result of these new groups, or was it everybody?

**Harris:** I don't know who did the leaking. It's an art that I've never mastered. Every time I've tried to do it, I've gotten in trouble. Both times, I might add. So I'm not particularly good at it. I don't know who was the villain, so to speak. I think what happened was that—because there was no penalty for failure from day one until well into the latter stages—there was no correction of mistakes, in many instances. I don't think there was a conspiracy to leak things. I just think it happened, and when it happened and nobody ever got into any trouble, it continued to happen. There was no way to find out who was doing it.

**McIntyre:** There were a lot of people from the Hill in our administration for whom that was a way of life. On the Hill, you sit down and talk to the press about problems that you see happening in the Executive Branch, or if you want to try to sway public opinion, you sit down and give the press a good story. There was just a tendency to do that, and in the beginning when it occurred, there was no discipline imposed for doing it.

**Thompson:** Would it have been enough to have had this fellow who would apply the sanctions if the President himself didn't do it? One thing that still isn't clear to me after the series of discussions we've had is that the President—perhaps not on his political economic philosophy, but on some things—seems to have been a man of passion. He was a man of passion about some of the things he deeply believed in. The press talks about outbursts of temper, the righteous indignation statements. If he had that side to him, why didn't he go further in the early period in demanding that there be somebody who'd be a hit man?

**McIntyre:** Well, I wouldn't use the word hit man.

**Thompson:** Hatchet man.

**McIntyre:** I wouldn't even use that. I'd use the word strong manager, somebody who was willing to assume responsibility and carry through with good management practices. On numerous occasions, I heard the President get angry about the leaks and say he wanted something done about it. The point is that there was really no way to find out who was leaking and to carry through the enforcement. The interest was in other areas.

**Harris:** He did call in some of the State Department people one time. Don't you remember the Cabinet rumor? Hell of a riot. The result of that was that he got brutally criticized for having done that.

**McIntyre:** But that was later in the administration. I'm talking about early on in the administration. Had there been an Ed Meese or Mike Deaver to carry through the President's concern about unwarranted leaks and fights in the press, I think it could have been controlled.

**Young:** Whistle blower is the term you want, not hatchet man.

**McIntyre:** For which, Jim?

**Young:** A new kind of whistle blower.

**Harris:** There was trepidation also about taking on leaders for fear that we would be seen as violating our concept of very open government. We didn't want to be perceived as trying to stifle. It was a very difficult situation to control. It's hard to discover who's doing it. One thing we should have done is when we identified the department that had a consistent problem with it, we should have gone over there and arbitrarily terminated somebody. As awful as that may seem, you do that a couple of times and people would get a little more concerned about it. But we were unwilling to do that because of a lot of other reasons. It's easy to sit back here right now and say what if, what if, and what if. It was very difficult to do.

**McIntyre:** Ken, I want to make one thing clear. I believe strongly in a free press. But I don't believe in an unbridled administration, and that's the difference. I'm against letting people—particularly junior staff people who really had no sense of accountability or responsibility with respect to final decisions—run around under the protection of an “open government” philosophy. I really don't believe that's open government. I believe that's sabotage in many instances. That's what concerns me. It's the unbridled communication by people who in the end would not be responsible or accountable for a decision made.

**Thompson:** Roosevelt said to Jim Rowe and others on several occasions, “I heard you said so and so and such and such at a party. If you do it once more, you can look for another job.” Kennedy was slow in doing it with Roger Hilsman and other people who allegedly talked but felt protected by [Averell] Harriman and others. Sometimes people have attributed this to Kennedy's detachment, to his being able to see both sides of the question. Both Johnson and Roosevelt, on the other hand, had more of an instinct for the jugular. Some people have said that some leaders can't do that because they want to be loved. Was there any of that in Carter?

**McIntyre:** I don't think that that would be a major factor. I mean, I'm sure he's like everyone else, and he'd like to be liked. But he didn't mind taking harder stands on other issues in which he would alienate people. So I don't think that would have been a major factor.

**Harris:** I agree.

**Young:** I'm trying to remember back in Georgia the way Carter got the Governorship.

**Harris:** I don't see that as being one of his motivations. It may motivate me. But I don't think that necessarily would motivate him.

**Young:** He was the loner against the system.

**McIntyre:** That's the name of the game.

**Harris:** He's been that from the beginning, I think, don't you?

**Young:** That's what I certainly saw in Georgia, from what little I witnessed of the campaign and his campaign style. The campaign speeches were on themes that wouldn't suit anyone who wanted to be loved. He was pitting himself against the system, I think, and he didn't win by accommodating it. He wasn't part of the traditional establishment, either liberal or conservative.

**McIntyre:** That's true.

**Young:** He was an outsider there in Georgia, which most people don't think about when they think of this man.

**Thompson:** Was he detached in the way Kennedy was in comparison with Johnson?

**McIntyre:** I can't compare him to Kennedy in that sense because I didn't know President Kennedy that well. I really can't compare that. I do think that his shyness has sometimes been interpreted as aloofness, and I don't think he was an aloof person at all. He was a very compassionate individual, a very thoughtful person in the sense of looking at the issues, understanding them, and making his recommendations.

We haven't talked at all about regulatory reform, and that to me was one of the major accomplishments of the Carter administration. His economic deregulation, in particular, was a significant accomplishment. He made tremendous strides in airlines, trucking, banking, and although banking is just now coming into its own, he made the initial step in that area, too. There was also his effort to try to get a handle on the issuance of regulations by Executive Branch agencies. Without the groundwork that he laid on that, the current administration would be about three years behind in their effort to cut out regulations.

**Petkas:** In fact, I would argue that they're not really doing anything any differently than a Carter administration would have done.

**McIntyre:** Well, they're not. They've done a few highly visible things that we may not have done.

**Young:** In this area, as well as others, I think as time goes on and people forget the things that divided the Carter administration from the Reagan administration, there will be a lot of continuities that will be seen. The emergence of spending restraint is of primary concern.

Deregulation is an innovation started by the Carter administration, and it's continuing. There are going to be a lot more similarities seen between the administrations in the way they came to organize things and the things that they came to deal with in the fore.

**Petkas:** This area is one in which the differences were not as sharp between the domestic policy advisor and the other instruments and other offices within the executive office.

**McIntyre:** I think this is one area where the executive office is pretty much together.

**Rhoads:** Is this true in the social regulation, too?

**Petkas:** Within the executive office, I don't think the differences were as sharp. I think the economists at [inaudible] and CEA tended to be more extreme, and more doctrinaire than others.

**McIntyre:** And there were perhaps individual regulations that there would be substantial differences on. But in terms of general concept, we were very much together on the question of regulatory reform. We worked closely together on Executive Order 12044 and subsequent amendments to that Order. We worked closely together on the regulatory reform legislation. We had some close cooperation on the paperwork deal, although I don't think their heart was in it as much as mine was in that particular piece of legislation. But even there, we got good support from domestic policy. There our battle was with the NSC on paperwork.

**Rhoads:** Why was that?

**McIntyre:** Well, because of the implications it had for command, communications, and control. The Defense Department has pretty much operated on its own with respect to telecommunications and the paperwork that's generated through their own processes over there. This bill would have given us oversight.

**Young:** I see. I understand now.

**McIntyre:** We were given control over the independent regulatory commissions, too.

**Ooms:** Should we all ask how you can balance the budget if you can't read an airplane ticket?

**McIntyre:** It's just like the budget. It depends on where you put the zeros.

**Petkas:** On the regulatory thing, I have a question about the institutional capacity of OMB to manage these other responsibilities, in addition to the budget, which have been layered on OMB over a period of time. The classic one that is cited is the responsibility that budget examiners have for reviewing such things as equal employment opportunity. The examiners' handbook is filled with a number of directives on that. Did you see that as being a problem generally, and specifically, in the regulatory area? Is there the capacity for budgeters to review the budget program, policy, and now, paperwork and regulation?

**McIntyre:** I never envisioned the budget examiners doing regulatory oversight. I always



envisioned that being done in a separate unit, by people who were specially trained in terms of analytical abilities to do regulatory reform oversight. In order to take on those additional responsibilities, OMB was going to have to have additional staff. I did not think that the oversight for regulation should be incorporated into the examiners' handbook as something the examiner ought to do. I don't think it hurts the examiner to raise the question of, say, civil rights compliance. Part of an examiner's job is to see whether those kinds of policies are being followed by the agencies, and I never thought that OMB was overworked on those kinds of issues. Now, there were individual instances where a particular area on programming the budget became very significant, and an examiner would be overworked because he had to deal with a particular issue. But in a general analytical sense, I did not see any problems with having those responsibilities.

**Young:** Thank you very much, Van and Herky, for a very instructive session here.

**Harris:** Can we have a closing one minute?

**Young:** Sure.

**Harris:** I want my closing one minute to say the following. I thought about what we've said, and I've thought about the tone in which we've said it. I feel that we may have come across as defensive and maybe negative in justifying what others may call a failure. I don't think the administration failed. I think the administration succeeded in a lot of ways. But I view today and yesterday's exercise as being one of trying to explain how things happened and how if we had it to do over again, with this experience, we might have done it differently. I hope that what I said is interpreted in that vein.

While we had disagreements along the way, I felt that everybody tried very hard to run the government as best they could, and no one had any ill or contorted agenda that was other than in the general best interest of making government better for all the people. I just want whatever I said to be modified with that overall statement because I don't think we failed. I think we failed maybe to express ourselves adequately in explaining it to people, but I don't think as a group we failed. I think we tried hard, we did the best we could, and I think we were lucky to have had the chance to serve. I just hope the next time we do it a little differently.

**Young:** You have your time on the tape. But I don't really think it was necessary, because it didn't seem to me to be negative or defensive at all. I think I probably speak for everybody in the room in saying that what we appreciate so much about your help is that, until people can have the opportunity to learn about this administration in the documents, all we have to go on is what we're told about it. What these sessions are so helpful in doing is letting us see the perspective from the inside, so we can correct those biases and assumptions that just creep into becoming the conventional wisdom until a revisionist comes along and says, "That's not the way to look at the Carter administration."

Also, I hope we've convinced you we are not antagonists toward this administration. What we really try to do is learn more than we can from books about the Presidency. Those of us who do have historical perspective recognize that you weren't the first administration to have these

problems. And judged against history, you'll seem much more successful in having dealt with certain continuing problems than others. Every administration has its weaknesses and its strengths. There isn't any perfect Presidency, and when the world is changing all around you, it's hard to figure out any more what is a successful and what is not a successful Presidency. I don't think we really think of failures.

**McIntyre:** That's right. You can sit back and get a look at the transitions that were taking place in Congress and in the world. For example, look at what happened in the world economy. Germany had come into a power of its own, and we found ourselves competing with Germany and Japan in terms of international trade. We're in an entirely different situation in terms of the transitions in the world economy, in the Congress as well as in our own country.

Consider our moving out of the post-Vietnam period, the Watergate era, and all of those types of transitions that were taking place. All of these reached some kind of maturity during the Carter administration.

**Young:** It was also a period in which conventional wisdom had to be replaced in many areas. You saw that in the economy and in the way you thought about it.

**McIntyre:** That's right. The old theories didn't work. The old models were based on 1960 experience. They just didn't work and still don't.

**Young:** Roosevelt has become sort of a standard comparison by which all Presidents are measured, but understand the differences in the world between now and then. There's something wrong with using that as a model by which all Presidencies are judged, and I think we need now some new kind of model for what kind of a Presidency works in this new kind of world. We're still trying to find out.

**McIntyre:** I'd like to reiterate Herky's point. We have appreciated this opportunity to be with you. It's something I've been looking forward to, and I hope that what we've said here hasn't been taken in disparaging way. It was not meant in any way to get involved in personalities for the sake of personalities, or to try to influence any image. It was basically to try to explain things in a constructive way.

**Young:** One mistake people make in studying the Presidency is to see behind every personality conflict an institutional conflict. We tend to think very much more in institutional terms than personal terms, and I think a very nice balance on that has been struck here. It's been very helpful to us, and I really do deeply appreciate the time all of you have taken, busy people that you are, to come and do this service for us. I hope it will be as rewarding in the long run, for you as it will be for scholars and the students. Thanks a lot.