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CARTER PRESIDENCY PROJECT

FINAL EDITED TRANSCRIPT

INTERVIEW WITH F. RAY MARSHALL

May 4, 1988 Charlottesville, Virginia

Interviewers

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Young: Before our full group is assembled I wonder if you could elaborate a little bit on the transition, particularly with respect to the kind of arrangements and understandings that you had with President Carter in connection with your appointment as Secretary of Labor and the running of the department, as well as his interest in the department. You indicated he had some special interests.

Marshall: He did have special interests. I mentioned OSHA [Occupational Safety and Health Administration]. Everywhere he went he got these complaints about OSHA. One of the things he wanted me to do was to look into it. He said, "There is something really wrong there because there was such hope for that law when it got passed and now it's become a laughingstock." And it was. So I got into it and we changed it very substantially. I don't know what we would have done if he hadn't told us to do it.

Young: Did he identify that to you in a conversation before your appointment? Were you interviewed, in other words?

Marshall: Oh, sure, we had had some discussions. The area of the department he had the strongest interest in, in terms of things that we ought to do, was the jobs program. I think you'll recall that unemployment had reached nine percent, and we discussed what we ought to do to try to deal with that. My view was that you couldn't do any one thing, but that you needed to have comprehensive economic policy. Selective labor market policies are much more efficient and he was interested in that. We figured the net cost of a job at the time was about \$6,000 if you would do it direct. It was more equitable in the sense that you could concentrate resources on people who had the greatest problems. I didn't believe it would be inflationary at all to have a jobs program because I can't think of anything more inflationary than either welfare or unemployment compensation. You put people to work doing things, and it would be less inflationary. He was also interested in that.

He was also interested in the Equal Employment Opportunity Commission and wanted my ideas about what it ought to be. We discussed whether it should be consolidated in the Labor Department. My view was that it didn't make any difference where it was so long as whoever did it, did it right, because you couldn't carry out your mandate to protect the interests of American workers if you didn't have a vigorous anti-discrimination program. I had perceived that a very clear problem, just a breakdown in the labor market segmentation, to try to get people out of

what we call the secondary labor market into the primary. You weren't going to do it with an anti-discrimination program alone, so you had to have a jobs program. Carter agreed to that and said, "All right, let's pay attention to the OFCCP [Office of Federal Contract Compliance Programs] and let's strengthen it." We agreed to that. Then, as you know, we consolidated it into the Labor Department.

So those were the main kinds of things that he was interested in. He had had an unfavorable experience with the Labor Department in Georgia when he had been Governor. He was concerned about the employment service, which was part of that process. The highest priority was to do something with OSHA in a hurry.

Young: That was really his specialty.

Marshall: The special agendas, I would say, were OFCCP and jobs and OSHA. Beyond that he gave us kind of general instructions, show the people that we can be efficient as well as compassionate and see if we can't manage the departments a lot better, improve the management. So that was high on his list.

The second thing that was high on his list was the appointment of women and minorities. He said to search them out. I believe strongly in that anyway, so we were of one mind on the need to do that. We had philosophical discussions as to why we needed to do that.

Young: Was this in Atlanta?

Marshall: Yes. We had one discussion down in Plains before he was elected, during the briefing period. The main one was a fairly long discussion. I remember they told me we were going to spend an hour and we spent a lot more than an hour, I don't know how long, with Fritz [Walter] Mondale and Jimmy Carter. Every now and then Hamilton Jordan would come into the discussion.

Young: Was Charles Kirbo there at any time?

Marshall: Yes, I think Kirbo was maybe floating around. He wasn't into these discussions. He was like Hamilton, I think, kind of in and out of it. But the two people who were there all the time were Jimmy Carter and Fritz Mondale.

Young: And it was a substantive discussion.

Marshall: Very substantive. At that time we didn't just talk about what was going to happen in the department. We spent some time with that, but we talked about economic policy generally and what you do about that. He wanted my views of that, because I had already stimulated some controversy over the so-called right to work business when somebody asked me what I thought about that. I guess this was before I had stimulated all the controversy because he asked me what I thought about the right to work laws and I told him. Then we talked about the anti-discrimination legislation and how I would go about enforcing that.

He was particularly interested in innovative and imaginative ways to deal with employment problems. I had been involved in doing those with some rural programs. I remember one that he was particularly struck by was the Tennessee-Tombigbee Waterway problem that we put together out of one of our programs to give jobs to people in the area—train in place instead of bringing people in. He wanted to know about that. I think he got pretty heavily involved in the cooperative movement and we discussed that a good deal. It was pretty substantive discussion.

Young: Did you also discuss appointments and relationships with the White House staff? That is, did you make an arrangement with him or did he develop an arrangement concerning your responsibility for appointments in Labor?

Marshall: We didn't discuss that at that time. I think maybe he asked me how I would go about doing it. I remember then that I told him how important I thought it was for us to deal with the civil servants and that if I were doing it that's what I would pay a lot of attention to. That's the mistake that most people make, to come in and go to war with them, not realizing that whatever you get done during your time, they are going to do.

Thompson: Did he agree with that?

Marshall: Yes. It was more like an interview and I got the sense that he agreed. He had agreed with most of these things. Actually, when I went down for that interview, I didn't really think that I was likely to get the job, so I was probably looser than I would have been. This was a real interview. I had recommended somebody else, John Dunlop, for Secretary of Labor and had actually interviewed John for the campaign, so I thought John was likely to get it. If I had been President I would have made John Dunlop Secretary of Labor, not me. I thought, well, Carter has got to go through this process and get more than one, and that's what this was all about. I didn't think I was likely to get it.

Thompson: You were his first choice from the beginning.

Holden: Can I follow the appointment business in a kind of mechanical way. You had in labor an Undersecretary and four Assistant Secretaries?

Marshall: We had, altogether, about a very large number.

Holden: How many do you have for advice and consent? I'm really getting to how many of the advice and consent people you picked.

Marshall: I picked them all. Every single one of them. One hundred percent of them.

Holden: How did you get them?

Marshall: Some people I already knew, so I put them on the list. I enlarged the pool. I had people make suggestions to me. The White House had some people that they had suggested, but I hired very few of the people they suggested. They were people who had worked in the campaign.

In fact only one, Paul Jensen, and he was in the transition. He is now with the Mike Dukakis campaign.

Holden: How did you get him?

Marshall: I worked with him during the transition and thought that he was way out on the learning curve. I had brought with me Chuck Knapp from Texas to be another special assistant so I thought they would make a good team. Chuck got along pretty well with him. But the rest of them, we put together a list by calling around and asking people to suggest names.

Holden: Who handled Senate clearances, you or the White House?

Marshall: Nick Eddis covered that.

Holden: How did you coordinate it?

Marshall: Nick coordinated it. He was my political person. He had been on the Senate Labor staff. He was the person who knew the Hill very well. Of course, we really didn't have any trouble with any of our appointments. The most controversial one that I had was Eula Bingham, who was assistant secretary for OSHA [Occupational Safety and Health Administration], who was opposed so vigorously that she was the only one of my appointments the President wanted to meet. He had never met her. He said, "Well, I've heard so much about her I'd like to talk with her and get her views." After he talked with her, he agreed with me that she was the best choice.

Some people I knew I wanted to appoint immediately because they were people I had worked with, like Ernie Green to be Assistant Secretary for Employment Training. Ernie had worked with me for ten years or so and I knew that he was the kind of person I wanted to have in charge of that. And Bob Brown, who was my Undersecretary. I think what we need in the country is to have permanent Undersecretaries. I think we've got too many political appointees. I think we can go too far into the ranks when an administration changes. But one useful person would be a permanent Undersecretary who would know the department and know what was happening and what was going on, and I picked Bob Brown for that. He had been exiled by the [Richard] Nixon and [Gerald] Ford administrations in the employment service and I had known him a long time.

One advantage I had, of course, was that I had been around the department a long time in one capacity or another. I was on advisory committees or chairman of the federal committee on apprenticeship or as a contractor doing research, and therefore knew the career people pretty well. I invited them to put their names in, fully aware of the fact they would be at risk because most of the career people had lost their jobs after they had been in government for a long time. It was a risk they were ready to take.

For commissioner of Labor Statistics. I reappointed Julius Shiskin, who was Nixon's man, and the reason for that was I thought that agency ought not to make the list. Then when Julius died I appointed Janet Norwood, who's got the job now. My belief is in that agency you ought to have continuity. There have got to be numbers above suspicion. Another reason I did it was because Nixon's move on the BLS [Bureau of Labor Statistics] caused unemployment to go up. I thought

that's got to be the first time since the Middle Ages the messenger has been shot for bringing the bad news.

The Solicitor of Labor, Carin Clauss, had been in the solicitor's office. She was the best person I interviewed. In fact, we nominated her for the Court of Appeals and the bar association fought her because she had never had a private law practice. I said, "Well, she's beaten most of you all in lawsuits." I saw her run rings around some of the top corporate lawyers in this country. A relatively young woman. It was good judgment about that.

Young: Were these appointees cleared with the White House? Did they go to Landon Butler first or how did they get to the President? Carter didn't have a person in his office like [Ronald] Reagan has, so I'm wondering who handled this.

Marshall: They were Presidential appointments. The President had to do it but he paid us to do it. No, they didn't go to Landon. It probably was Jack Watson. I didn't pay a lot of attention to it. I think Frank Moore was one of the main people involved. Nick Eddis was my man and when we agreed on the list and we sent them over, I know Frank helped us. He had an assistant, Tim Kraft, who worked with us on Labor Department stuff. Tim was a very good man who had been on Carl Perkins' staff and then the White House staff working with Frank Moore in the White House, mainly just handling how we were going to do things through the system. They went through a political check, to see if there were any problems with the nominees, and they got a lot of flak with Eula Bingham. Carter asked me if I was sure about her. He called me and we discussed it and I said, "Yes, I think she's the best person for the job."

Holden: May I ask you two questions? One mechanical question and a not-so-mechanical one. Were you ever uncomfortable over transactions between your immediate subordinates and somebody in the White House office?

Marshall: I don't remember any. I thought that our people had a very good relationship with the White House. My person dealing with the White House was mainly Chuck Knapp, who was good at dealing with everybody.

Holden: I'm really asking about people going around you.

Marshall: No, I don't remember that. One of the advantages that I had was that there was nobody on the White House staff who knew anything about labor matters.

Holden: There was testimony from some people, not necessarily from this Presidency but in others, that in this setting, that is not necessarily a deterrent.

Marshall: That's right. But I noticed that the President was very reluctant to let his people get into labor matters because he knew they didn't know anything about it. And he knew in some of these areas that it was ticklish, like whether or not you intervene in strikes. Political types always want to get involved because you get a lot of publicity. I didn't want to get any. Our policy was to stay out of it. Let the Federal Mediation and Conciliation Service do that. Because while you

get a lot of publicity, you also weaken collective bargaining. If either side believes they can get more from you than they can the other side, then they won't bargain. We stayed out of it.

We made one big mistake in getting in, I think, and that was the coal strike. We made that mistake because Jim Schlesinger and the Department of Energy had produced some exaggerated numbers to show what was going to happen to the country if we didn't get into the coal strike. I said, "If we get in the ante is going up." If you understand anything about bargaining, you know that they know that you are going to have to do more than you would if you just let them fight it out. Plus the fact that I had BLS doing some preliminary work on it. But I wasn't loaded for bear when Jim came to a Cabinet meeting and said we were going to get brownouts and blackouts and all the rest of that and we need to get involved. But I guarantee you I was every other time after that, like the trucking strike that most people don't even remember, and the railroad strike, the Long Island Railroad. They called and said, "What are you going to do about our strike?" I said, "You said the magic word, it's your strike, not mine. We are going to enforce the law so if anybody gets violent, let us know." In fact that's what we were trying to do with the coal strike. Law enforcement is what finally brought it to a halt.

Basically, that's a technical problem. You have to understand something about bargaining and negotiations and dispute settlements. The President didn't know anything about that, and he knew nobody else around the White House knew anything. None of his Georgia people had any experience with that kind of thing. So he was willing to leave that to me.

Thompson: This isn't an invidious question but it might sound that way. Did the President leave you alone and trust you because you were a southerner?

Marshall: I expect there was something to that. I don't know that. I used to facetiously say probably it was because I was bilingual. I also speak Baptist. I think probably more than having a southern accent was understanding his moral approach to things. I grew up in a Mississippi Baptist orphanage and understood that.

Claude: Didn't Millsaps [College] contradict all that?

Marshall: I didn't tell you they wanted me to be a Baptist preacher. I parted ways with them because what they did was so different from what they said. I had trouble with that. My young mind couldn't reconcile all that. But I understood it. They had things like the orphanages and hospitals and this moral thing that is very important to the President. I think understanding that, the fact that he had a bias for the vulnerable, a positive bias. That was right out of the *Old Testament* and the *New Testament*.

Economic justice—that was a strong conviction of his. You could get things done that way, appealing to and understanding his sense of that, which I shared. I think that was the thing that made it possible for us to get along as well as we did, more than being southern. It was an understanding of the importance of moral values and how important that was in public policy. That was a real test of a society and he believed that. He never had any doubt about that at all. And we had a common perception of Southern things. He did make some comments about my growing up in Mississippi and how close that was to Georgia.

McCleskey: If I may follow up on the question Matthew Holden was asking, did I understand you to say or to suggest that no one of the appointments that you recommended to the White House was vetoed?

Marshall: That's right.

Thompson: You wouldn't accept, then, Cy Vance's formula that the most a Secretary of State can hope for is a veto on White House appointments. Do you think the Cabinet officer should be able to appoint? That the political pressure isn't so great that you can't control your own.

Marshall: Maybe Cy had a different experience, but my experience with it was that the President ought to let the Cabinet officers pick their people. Partly because if you really believe in a good administration you've got to have accountability. Now, if he had sent me some turkeys I could have always said, "Well, I could have done a lot better if I hadn't had these turkeys." But the way it was I had no excuses. These were my folks. If they messed up it was my fault.

I remember having a conversation with him about that. We were talking about how you ought to do it and I said, "That's my theory of how we ought to manage things, that you ought to hold me accountable. But you ought to let me pick the people that I hold accountable." And I did that. I tried to do that for the most part with the Assistant Secretaries, that is, let them pick their people, but I always insisted on meeting them and interviewing them. I interviewed a lot of people for each one of the Assistant Secretaries.

Thompson: You saw no evidence of Carter's well advertised or maybe unfairly advertised passion for detail that led him to keep constantly watching things that maybe he shouldn't have been watching?

Marshall: There is no question about his attention to details. That is the case. He knew a lot of detail about things going on in the department. He wanted to be briefed about all that, so I sent him reports. At first the Cabinet meetings were mainly reporting what was going on because he wanted to stay informed. I think he got a lot more from the written things we sent him than he did from just the reports in the Cabinet meetings.

I think the best information he got was through debates, not from something somebody sent to him. When we disagreed on things and had a debate about it, you knew it could all come out. He was ordinarily a lot better informed at the end of those debates than if he had got it seriatim. I think one of the problems is that the White House staff does have the ability to put the final twist on whatever goes in to the President. If you don't know what twist they put on it then you don't know how your report has been interpreted unless you find ways to see to it. I always tried to find a way to see to it so that he understood what I had really meant by what I was trying to do.

Young: How did you do that?

Marshall: Sometimes I would have a discussion with him before Cabinet meetings started, before everybody came in and I would always have an agenda of things I wanted to say to him. I

would say, "I just sent you a memorandum and if you have any questions about it I hope you'll ask me, because it's terribly important that we do the right thing with this one," and explain what I thought. Whether he agreed with me or not, he at least knew what I had thought about it. And this was particularly the case where we had controversial things that were related to economic policy and to Labor Department matters.

McCleskey: Did you generally have access to the President when you really needed to see him?

Marshall: Yes. I can't ever remember trying to get him that I didn't get him within a matter of minutes. Sometimes they would say, "The President will get back to you. He's tied up right now." He had a scheduler, Phil Wise, who did the scheduling and kept the President's calendar. If I wanted to go see him I would call Phil and tell him I needed to see the President and ask when I could get in. He would usually put it down to see him or if I just needed to talk with him on the phone. But I tried not to do that much unless it was really important or unless I needed to talk with him.

I thought that if he was getting ready to go somewhere and do something on which I could make some input, if he was getting ready to make a speech or something, then I would usually send that in well in advance. We had a system where we would know where the President was going to speak and you would have his schedule so then you would say, "I see you are going to do that." Several times I would call him and say, "We would like to do some legislation, and I've done all I can to get to somebody" when he needed to get to them. He was fixed on energy, which was not really my thing, but we were all called on to help get the energy legislation passed. Several times I had to call him and say, "If you called so-and-so, I think we can get his vote. I had a talk with him and here is what he said..." Then he would call him.

Thompson: You probably couldn't use a figure like this, but [Zbigniew] Brzezinski told us he would see him six or seven times a day. How often a week would you see him?

Marshall: At least once, because we met once a week, and I would say usually two or three times a week we would be involved in something. When we had all the labor legislation it was much more often than that. When we had the Youth Employment Act up and we had minimum wage up. Early on we had the expansion to the jobs program, and we were heavily involved in that. Later on, when we had done all of our legislation the last major thing we had to do was labor law reform, and we were in pretty constant contact during that time because it was a tough fight. We didn't have any trouble going through the House. It passed the House with about a hundred vote majority. But we had a filibuster in the Senate that we had to try to break, and I thought it was terribly important for us to break it, so we spent a fair amount of time trying to figure out how to do it.

Young: It strikes me that there are two aspects to a President's connections with the Secretary of Labor. One has to do with labor legislation, and you've already identified some particular issues he was interested in, and the other is that for a Democratic President organized labor is an important political constituency related to his party. A Secretary of Labor maybe has a role as liaison or dealer with labor as a political force, and a President needs, or I think Carter needed, to

call on organized labor for support for things that were maybe somewhat remote from their priorities.

Marshall: Yes, like energy.

Young: The second time around on energy Stu Eizenstat did a lot of base touching with established interests. I'm trying to figure out what position and role Carter's Secretary of Labor played here as his connection with organized labor for general purposes as well as his departmental secretary and manager and expert on labor and legislation matters.

Marshall: I think that all of those were important. The Secretary of Labor is a political Cabinet officer.

Young: Carter wasn't known for close relations with George Meany.

Marshall: That's right. They had very strained relations. Part of my job was to get labor support for the President and to interpret him to the labor movement and vice versa. He needed to understand the labor movement and what they were concerned about and how they viewed things, so I did that a lot, particularly during the 1980 campaign. But we had done a lot of it up until then.

Young: On the price advisory panel of 1979, Landon Butler says relations with George Meany have dramatically improved since last winter and that was partly political and partly policy.

Marshall: That's right. That never was worked out very well. I think one of our big failures was coming up with an anti-inflation policy. I think we did it at the end, and if we had done in the end what we had done in the beginning, we would have been a lot better off. We built consensus. The problem I had with my economics colleagues is that they didn't believe in consensus. They believed in letting market forces take over or using the tax system or something like that, the tax-based incomes policy and no incomes policy.

No wage and price system is going to work in a democracy without consensus, and they agree and understand enough about the need for that, whereas I gave heavy weight to that and felt that we should have done to the national accord as we finally did towards the end. If we had done that in the beginning we would have gotten a lot more support for it. And we would have improved our information. I think that was one of the critical problems, understanding what was causing inflation, what you could do to bring it under control, how you could get people to cooperate, and how you can put together the kinds of political deals that would be required in order to get people to cooperate.

Now, we did that in the end and I think that was good. A problem with a lot of the people who were involved in that effort is that they didn't understand much about collective bargaining either, so they would try to do the wrong thing. They wanted to intervene, for example, in a railroad negotiation after deals had already been struck. You can't do that. In fact we went to the President with that and he agreed that we shouldn't try to get involved in that.

Thompson: One thing that puzzles me. Carter had a professional who knew the labor scene and yet you did face a whole series of disputes. Reagan has nobody with the stature and quality as you brought to the office and yet there seemed to have been fewer disputes. Does that tell us anything about Carter himself?

Marshall: No, I don't think so. I think the big difference is that there have just been fewer disputes in the country because unemployment is the highest it has been since the Great Depression. The decade of the 1980s has had a high level of unemployment. You don't get a lot of strikes during periods of high unemployment. That's one factor. The other factor is that most of these industries where you had strikes were in serious economic trouble: trucking, which was one that had always been strong; coal, which was in serious trouble; automobile, steel, rubber. We actually didn't have all that many that were serious. Coal was serious. If we had ignored it, it wouldn't have been as serious as it turned out to be.

But I think part of the answer is that there has been very little labor activity anyway—non-union wages have been increasing faster than union wages, in most of these industries the unions have been involved in concession bargaining, the unions know they are in big trouble. So they have been reasonable in trying to take it to the leadership in trying to work out ways to make it possible for the steel industry to make it and for the auto industry to make it. You don't get a lot of strikes when you are struggling for survival.

It wasn't clear in the 1970s that that was what they were facing because the foreign penetration of most of these markets hadn't gone the extent that it has today. One of the reasons it went to this extent was because of the 1981 tax cut, which greatly stimulated the American economy when others were stagnant, but meant that we absorbed a good bit of the world's economic exports during that time. That gave you heavy foreign penetration in most of these markets. You also had deregulated airline, trucking, and other industries, so that they were in serious trouble holding their wages. So I think all of those things really account for it.

I think the place where there might really have been a significant policy difference is the handling of PATCO [Professional Air Traffic Controllers Organization]. I would not have handled it the way they did. I think it was unnecessary. We had threatened strikes by postal employees and others but it didn't happen, and if it did happen we were able to keep it under control. The main way you do that is to work behind the scenes. You don't call somebody out and try to have a shoot-out if you are going to settle a dispute. The way you do it is to have a showdown, all right, but what you do is let people know exactly what you are going to do to them if they do strike in violation of the law.

Our policy was very clear. We enforce the law. I would also say to them, "I don't believe a strike is the worst thing that can happen here. It can be much worse for the country to have high turnover, low morale, poor workmanship, low productivity, and all that. So if you agree you've got a problem you don't have to strike. You tell me about it and I'll see it gets taken care of. I'll see that the President will hear about it. If it's the Secretary of Transportation that you've got a problem with, I'll take that up with him. If you tell me that you've got a safety problem, I don't want you to have a safety problem. But what you have said to me doesn't add up. You tell me you've got all this stress and we can relieve it with \$10,000. Now, that doesn't compute. My

advice to you is that you go out. It better not be over money because the only way you can win an illegal strike is have overwhelming public support. You are not going to have it with that. If you want to be martyred we'll help you, because we're going to fire you."

Thompson: What I keep wondering is why Carter didn't get credit for all this. In Montana some of us joined him at the dedication of the Mike Mansfield Center. First of all, he gave a public address and that was much as you described it, it wasn't a success. There were many absolutely fascinating people in the Q&A and one of the things he talked about was his behind-the-scenes foreign policy, [Ruhollah] Khomeini and all kinds of people that he dealt with. Yet the American people never knew that. But what about the labor movement and the behind-the-scenes activity that you and he and others were involved in? Could there have been any way to avoid the George Meany phenomenon?

Marshall: I think that was personal. I think that George Meany and Jimmy Carter were just not a good chemical mix. If you got them together it was just clear that these fellows didn't communicate.

Thompson: You couldn't have gone to Thomas R. Donahue [Executive Assistant to the President of the AFL-CIO] or other people and say—

Marshall: Oh, we did. We had a very good relationship with the labor movement and the Carter administration had the best labor record of any administration since [Franklin D.] Roosevelt. All the unions will agree to that. The George Meany thing was something that might have even started in the beginning when Meany wanted to name the Secretary of Labor. He wanted to take John Dunlop. He was very vocal about that. Both he and Lane Kirkland were vocal about it. They tried to give them three choices and they said, "John Dunlop, John Dunlop, John Dunlop are our first three choices." John understood that. They felt they owed John and he was also a good man. He was a very good labor economist and a very skilled negotiator and dispute settler. I don't think he has a fear of any of those things and he's very bright and imaginative. So I think Meany and Lane were right.

I had suggested John Dunlop when they asked me who I thought ought to be Secretary of Labor, so there wasn't any problem with that. But the fact that they wouldn't even give him any other names made it look like they won the ticket. I think the President's view was that he wanted to pick his Secretary of Labor and didn't want anybody else to do it, and that didn't set too well with Meany, partly because he felt that they had played a significant role in Jimmy Carter's election. He felt that this was one position they ought to be able to call. It started then. Actually, it had started earlier. The first time they met it didn't go well.

Young: The story goes that when Jimmy Carter got the nomination sewed up he asked George Meany who he would like to have as Vice President and George took his cigar out of his mouth and said, "You!"

Marshall: It wouldn't surprise me.

Claude: Meany's nominating Dunlop may have doomed him.

Marshall: It might have.

Thompson: That isn't what Carter said, though. He said from the very beginning you were his choice.

Marshall: Yes, but I don't really think that's the case. It didn't help John, I'll put it that way. But the other thing is that I get the feeling that the President and John didn't get along too well, either. He interviewed John and John is a scratchy fellow. He is not one to understate his case. But what the President said to me about the interview was very different from my experience with John. It got too theoretical. He wanted somebody who had practical experience. Nobody has had more practical experience than Dunlop and I actually told the President that. I said, "I think he has tremendous practical experience." But he said, "You've had more practical experience." I don't know what he was talking about except that I had worked on the Tennessee Tombigbee project. I would say probably that was the dimension he thought we ought to really be a lot more concerned about, not just concern about collective bargaining and disputes of them in that range of things, but about jobs and youth and minorities and dealing with the kinds of things I have dealt with before. My sense of it is that he really wanted to deal with those things.

Claude: In your earlier presentation you started off with the proposition that the mandate of the Labor Department is to promote or protect the rights of labor, which sounds as if it puts the department in an advocacy position within government, kind of a lobby for labor in government. There are some other departments that might be considered to have constituencies of the same sort. Is that a good principle, that you have kind of built-in lobbies?

Marshall: Yes, I think there are some departments that ought not to be, that don't necessarily have a constituency, such as Defense and Justice and State. That's the reason they ought to be non-political departments and are. They don't go out and campaign like we did, the political people. I think it's a very good system if everybody understands it. As I used to say; the President has to make decisions on a broader basis than my job, what I have to look out for, and my obligation to him is to be sure he understands the implications from the workers' perspective.

Most of the people are going to come and argue for business. You can call it Treasury but they represent bankers and the banking business. You can call it Transportation but they represent the transportation industry. You can call it Energy but they still represent those business interests and nobody in any of those areas necessarily represents the interest of the workers in those industries. I think it's a very important thing to do. That's the way I tried to organize my business. I wanted people who really believed in what they were doing, that they would get the very best information but that they would also understand that that's not the only perspective that has to be considered when you make the decision. You've got to consider it from a much broader perspective than that and the President has all kinds of other considerations, and I understood that.

I think the President needs to hear the debate, because my bias is that in terms of what is good for the country, if you just leave it up to economists and bankers, it won't get done. They are not interested in full employment. When was the last time you heard a banker talk about full

employment for him, or an economist talk about full employment? Not many. They aren't interested in high wages. They don't really want to be a high wage country. They think the wages in the United States are too high and that wages in other countries are too high. They are not interested in labor standards, they are interested in the market determining wages. My line is that when Adam Smith's invisible hand moves in the labor market it's all thumbs, and therefore I'm not comfortable with letting that happen. I believe you ought to do things that are good for workers. That is, you certainly ought not to ignore them. The banker's got something useful to say. The business people have something useful to say. But so do the people who represent the workers' point of view. My own experience is that the one who's likely to get neglected in a market-oriented society like ours is the worker.

Thompson: Two months before he died Tommy Corcoran was here, and he said—and I don't know if this is reflecting this—that he thought it was wrong to have Cabinet people who were advocates because then they couldn't make discriminate judgments. For instance, if airline pilots are making too much money and working too few hours, is the Secretary of Labor in an embarrassing position if he is primarily an advocate?

Marshall: I guess it depends on what kind of theory of the process he has. I don't think wages are the only thing that I would consider. I would say whether you keep your job is important as well as the wages, and if your wages are too high you won't keep your job. What I consider the Secretary of Labor's job to be is to convince the unions of that. Probably nobody else could do that. If the Secretary of Labor has got the right relationship with the unions, he ought to be able to come in and tell them the hard truth, even if they don't want to hear it, from the perspective that you've got to worry about not just whether or not these workers have our faith, but that you've got to worry about other workers who are going to buy the stuff they make. And you've got to worry about whether they've priced themselves out of the market. You've got to worry about the fact that you are losing public support because you look like you're greedy, and that's not good for you.

The second and most important thing you ought to be worried about is public opinion. You are not going to get public opinion if you get the reputation for being a greedy interest group. I think that represents the interests of those workers as I see it. I will say to them, "If I can't convince you that I'm right, maybe I'm not. What's wrong with what I've said? If you agree with me on the whereases, you've got to agree with me on the therefores."

Claude: How does this advocacy business affect your coordination problems within government? Lots of what you talk about entails matters that might need to be coordinated with Commerce and Agriculture and Education, etc. Are the advocates in these various departments essentially competitors and debaters, therefore putting to the White House their differing positions on issues to help the President make a balanced decision? Or can you also collaborate with each other in getting things done?

Marshall: Sure, and we did, I thought. I thought that we had superb coordination between the Labor Department and most other departments. In Agriculture, Bob Bergland and I worked together on rural development things. And we had a joint program with commerce. In fact, the Secretary of Labor and the Secretary of Commerce probably never had a better relationships than

the one I had with Carter's secretary of Commerce, Phil Klutznick, and later, Juanita Kreps. Juanita was an old friend. She was a candidate to be Secretary of Labor and was a labor economist, so we got along very well. Phil Klutznick and I worked together and we co-chaired a committee on the steel industry.

One of the things that's hard for a lot of people to understand is that a consensus process means that you find the overlap and agree to disagree about the places where you can't reach a consensus. That means you focus on the things you have in common. Well, the thing Phil Klutznick and I had in common, where we were actually at odds with the steel industry, is that we wanted the country to have a strong steel industry. The steel industry was not much interested in that. Their answer, in essence, was, "You want a strong steel industry? Bribe us, give us tax relief or tariffs, and keep the competition out and then we'll do that." As one of them told us, "We don't make steel, we make money." That's the reason they wouldn't stand and fight with the Japanese and other steel countries.

But Phil and I were in complete agreement on that. In fact, the interesting thing is that we built complete consensus between the government, unions, and management. They started out poles apart. We didn't necessarily agree on what to do, but we had common diagnosis of the nature of industry and what had to be done. The big difference was how you raised the money. We even agreed that they needed tax relief, but what the industry wanted was ten, five, three. They wanted what I call the Indian trading system; they wanted us to put the money on a stump and leave. My view was that if it's going to be a real bribe, let's get our part of it. If we are going to give them the money, let's do it on the condition that they agree to strengthen the steel industry. Phil Klutznick and I were 100 percent in agreement on that.

In the Treasury, all of the government people would say, "If we give them the money, they are going to go buy a chemical company or get out of the steel industry, and that's not what we want." We needed the target refundable tax credit for them, which would get that. Ten, five, three didn't. They got ten, five, three and went and bought Marathon Oil. Now what did that do for the steel industry? It did something for U.S. Steel but it didn't do much to make the steel industry more competitive. Think of what would happen if you put that money into plant equipment to get more competitive in the steel industry.

But anyway, I think that everybody understands that the President has to make decisions on grounds other than yours. He's got a bigger perspective and therefore a Cabinet officer's obligation to the President is to call it like he sees it and to lay it all out. It may be wrong, it may not. And that's what I used to say to my people, "I'll never forgive you for letting me go into combat with something you thought was wrong. I'm not going to hold it against you because you disagree with me. If you send me over to the White House or up to the Hill with something you believe is wrong and it turns out you're right, I don't want you to come back in here after that and say, "Well, I knew I was right, but you seemed so committed." That's not the way you do it. The President ought to take that view.

Young: Of course, a lot of the legislation established in these departments is specifically to see that the certain interests are to be protected and nourished.

Marshall: It's the law creating a labor department. I used to open my speeches everywhere with it: "My job is this, so you will know where I'm coming from."

Thompson: Where's the dividing line? Did Joseph Califano and Mike Blumenthal go too far in this direction or was it something else?

Marshall: The real question with Joe Califano was what was his job? One advantage of the Secretary of Labor is that your job is fairly clear. And that's what Juanita used to say to me: "Your job is fairly straight-forward. Who is *my* constituency? Who do I represent? Business is such an amorphous thing that I don't see how I can go out there and do it." My job was fairly clear-cut. It is not clear-cut in the sense that you would simply agree that what somebody was saying was good for workers is what you will agree is good for the workers.

That's where you get into the wage business, that's where George Meany and I had a big fight and he pulled the rug out from under his own people in negotiations. He blasted their settlements that we worked hard to get them to accept, even though they were in their interest and preserved their public image and jobs. He thought they ought to be going for the sky's the limit. I think that a lot of fellows—and to a significant degree George Meany didn't really believe that there was a trade-off between wages and employment. He would within reason, but he thought it was a very inelastic demand scale. I could see all the foreign competition coming at him and I knew something about what wages were in other countries and I knew you could get well-qualified people willing to work long and hard for a third or a fifth or, in the Korean case, a sixth of what his people get. If you know anything about markets and your long-run interests, you can't expect to keep your industry.

The other proposition is that people will maybe sacrifice some small margin of price and quality in order to buy American, but not too much. You get beyond that and the differentials were too great. The Japanese cars were too much better than ours, their wages were too much lower than ours, and you couldn't expect the United States to hold that industry.

I think coordination is important. It seems to me it's like any other kind of consensus-building process, that is, everybody has to understand the game, the process and not get your feelings hurt simply because you didn't win. The worst thing you get involved in would be that you've got to win all the arguments. You don't lose any political clout to have made your case in a system where people understand that there are going to be other issues. What the media does is kind of egg these fights on, and I think that's another part of the problem. They always see the shadows on the cave wall and all that stuff, who won or who lost in these internal fights. I think that is really not good because it does make it hard for people to compromise and build consensus.

Young: At the beginning of the administration, I think about April, Lane Kirkland let out a blast, an expression of disappointment, that Carter wasn't doing much. That was after not too many weeks in office. They were disappointed with the minimum wage, they wanted \$3.00 and Carter proposed \$2.50 and so forth. They were banking high on the Democratic Congress and the Democratic President and then all of a sudden, it seems in retrospect, they began to lose a lot of ones on picketing.

Marshall: Situs picketing, which they had passed.

Young: And then we read in the July papers of that first year how after a lot of behind-the-scenes working, a package has been put together and then you begin to see Kirkland and others scaling down their demands in light of political realities. George Meany says Carter is the most conservative President he's known in his life. Anyway, I'm just wondering about the politics. It seems as though labor had overestimated its political position, and Carter is not a labor man.

Marshall: I think that's probably the case. But that's the reason I believe in these kind of tripartite processes that practically every other country has, where the government and business and labor and whatever other interests come together. One of the most important things you need to do in order to avoid conflict is for people to have the same perception of the same reality. Conflict comes because people have different perceptions. One of the things I did as a consensus builder and mediator was to never let anybody disagree about the facts. So we went through that with them.

Young: Now, when I read that about the behind-the-scenes negotiating and I saw labor moderating its demands, a question for Ray Marshall is, were you as the Secretary of Labor during that early period in a position of getting agreement about the facts and then moderating labor's expectations, or was that happening for independent reasons?

Marshall: No, I think that was part of what 1 was doing. I was in constant negotiations with them about what the President was going to agree to and what we thought we could get through the Congress, which was another kind of political reality.

Young: Tip [Thomas P.] O'Neill bet wrong on that. He said Congress would come down halfway between Carter and Kirkland, and it didn't. They came down much nearer Carter. Were there Congressional people involved in this at all?

Marshall: Oh, yes. And of course they were split, too. The House Labor Committee people were just furious at Carter, particularly the subcommittee responsible for minimum wages.

Young: Why was that?

Marshall: Partly because the chairman of that committee was from Pennsylvania, a relatively high wage place, and they thought they had a strong case for improving the minimum wage substantially. With control in the Congress they thought they could get it passed and they didn't like it because the administration was persistent. In fact when I went for the hearing they called me back in the back room before the hearing and called someone, I can't remember his name now, I know he is no longer in the Congress, who was furious at the administration and said it was unthinkable that a Democratic administration would do this.

Young: It was not on tactical grounds, shooting itself in the foot, it was against this more conservative policy.

Marshall: Yes, and also concern about inflation and the effect that it would have on overall economics. I thought the original thing that we came in with was too little. I was fighting within the administration to get more. I thought they exaggerated the extent to which it would cause inflation.

Young: Was your battle with Charles Schultze and Mike Blumenthal?

Marshall: Yes, Blumenthal and Schultze. We went to the President with that and we had a debate. My view was that this was not an economic issue, it's a moral issue. We've got about five million people out there who won't get a raise unless we give it to them. They are not members of unions. They don't have a lot of power of any kind. Their real wages have eroded substantially since they got their last adjustment, and if we're going to have a decent welfare reform program, which was another thing I wanted to do, an essential element of that program must be that people make more money when they work than when they don't. And if we don't raise the minimum wage, you're going to have a situation where people make a lot more on welfare than for working. You've got to worry about that if you are going to have a decent minimum wage. That's the kind of argument the President accepted as what we really ought to do, in the final analysis.

Young: It came up from \$2.50 to \$2.65.

Marshall: The unions came down.

Young: There was a situation that was full of potential of polarizing a Labor Secretary and a fiscally conservative President, with the Secretary of Labor down there testifying for a position he doesn't really approve of.

Marshall: I didn't tell him I didn't agree with it, but I guess they can read my books.

Thompson: Who were your allies if Schultze and Blumenthal were on the other side?

Marshall: On most labor issues Stu Eizenstat was on my side of things. There were a few cases where that was not the case, but on this one he was. Ultimately, you see, Stu was a lawyer, not an economist. This whole business about the minimum wage causing unemployment has a superficial simplistic plausibility that disappears once you examine it in depth, and that's what we did. Once you do that, you find all these arguments about the minimum wage about what the effects are going to be and all the rest of that are grossly exaggerated. Nobody has ever done a study that showed it has any effect on unemployment. They don't even argue that now. What they argue is that given the assumptions of their models, and plugging in not real numbers but imaginary numbers and so-called simulation studies, you can show that you will not create as many jobs in the future if you have a higher minimum wage. That's all they ever show. That doesn't say anything about unemployment. It just says you'll get less employment.

Now my argument about that is that if people can't pay minimum wage, they ought to go out of business. I believe in a high-wage economy. I don't believe we ought to compete with Korea and Mexico and the rest of these places. I believe that if people can't earn enough to make the

minimum wage, we ought to help them earn it. We ought to improve their education. We ought to improve their training. I don't think they do a lot of remedial work down at McDonald's. I think if the young people really need basic skills, then having a lower minimum wage is not going to help you with that a bit. They need Job Corps-type treatment, but they are not going to get that from McDonald's or Burger King. Burger King is doing it now because Ernie Green has been working with them. They are giving scholarships and all that. The reality is of course that when they had the hearings on the youth differential on the minimum wage, a lot of these fast food places wouldn't even show up to argue for it. Why? Well, they are having trouble getting people at the minimum wage. They understand the way the labor market goes.

Riley: I'm wondering if you can recall any occasions when you found yourself strongly at odds with the President on a policy matter. The question arises because you defined your job as being to protect and promote the interests of the American workers, and yet on the other hand you said in the earlier session that you had a constituency of one, which was the President of the United States. So far in your discussion these two roles have run parallel. I assume that in most Democratic administrations that's probably going to be the case. I was also thinking of your story about going through the Deep South and remembering your first Republican. I grew up in Alabama, and it's probably true that Jimmy Carter saw a Republican before he saw a union member in Georgia.

Marshall: Our disagreements were over things like how much you should do rather than whether or not you should do it. I was always pushing for more jobs, for example. And the President was not willing to grant those. He was willing to give more than Charlie Kirbo and Mike wanted but he wouldn't go for it.

I guess the one area where I thought we made a serious mistake and where I disagreed with the administration—we actually had a Cabinet discussion of it—was over whether we ought to try to use unemployment to check inflation. That was a bad idea. I think it was a bad idea to appoint Paul Volcker and to believe that somehow you solve the inflation problem with rising unemployment. I still think it was a mistake to do it. I think that if our analysis of the cause of inflation was correct, it was mainly because of external oil price shocks. It didn't have anything to do with new labor markets. You would have to really strain to argue that wages caused that inflation. That inflation was caused by external oil price shocks and therefore what they wanted to do was to let the workers pay for it with high unemployment.

But it wouldn't be just the workers paying for it. The Democratic Party was going to pay for it. The President was going to pay for it. So I thought I had an obligation to him to say, "This is not good politics and might cost you the election. I don't think it is good economics, but I don't think it's good politics either to give people the impression that you believe you can solve the inflation problem with rising unemployment." The President had to make his own decision. Who was I to give him political advice except that that was the way I saw it. I knew how my constituents were reacting to it. I know that that's the main reason Teddy Kennedy got into the race.

I know we could have kept Teddy out of that campaign, and that it might have been a very different outcome if we could have done that. Teddy was mainly concerned about the whole jobs business and the appearance that somehow you are going to use this rising unemployment. I still

believe that if we hadn't done it, inflation maybe would not have come down as fast but it still would have come down as soon as you got over the energy price shocks. In fact, my comment was that they reminded me of one of my favorite *New Yorker* cartoons, with all the surgeons around the table and one of them says, "Thank God we operated just in time. Another week and he wouldn't have needed it."

Claude: It seems to me we have talked about what the Secretary thinks is good for labor rather than necessarily what labor wants. Am I right about that?

Marshall: That's right. A lot of times I disagreed with them about what was good for them. At least the leaders.

Claude: So it's a modified advocacy position.

Marshall: It's not that you're carrying their water because you've got to fight with them. In fact, I think one of the reasons it would be useful to have these consensus processes is because many of these parties have very poor information and analysis of their problems and they need help. They need to be able to analyze and understand the effects of things because frequently it is counterproductive from their own perspective, given their own interests. What fact gathering is all about is to cause the positions to come together on the basis of the facts. That's the reason why my proposition number one always was, "We are not going to recommend anything until we agree on the facts." If you get people to get to work agreeing on the facts it's amazing how they'll come together.

McCleskey: When you were talking about consensus building that made me think of the Anne Wexler operation in the later stages of the administration. I'd be interested in any comment you might have about how you and your department related to what was going on in her office and also more about how you dealt with domestic policy with the Eizenstat group.

Marshall: I think we had very good relationships with both Anne and Stu. I was on the domestic policy and the non-policy group so I was involved in both of those. I thought Anne was a very skillful, political operator and she was doing useful things. And I think that Stu Eizenstat was the best member of the White House staff, most effective, best informed, best instincts, best judgments—he was just best all-around. It wasn't even close. I think the rest of them were all amiable people but they simply didn't have his depth or power.

Young: You are talking about the White House staff and policy matters.

Marshall: Yes. I think some of them turned out to be more effective than I thought they were going to, like Jody Powell. Jody surprised me. He was more effective than I thought he was going to be and learned to deal with the press. But they were people with not a lot of experience in most of those positions. Eizenstat of course had been in the White House. He'd been on the [Lyndon B.] Johnson staff and knew something about what was happening. I think that experience helped him a lot.

You mentioned Joe Califano. I think one of Joe's problems was that his White House experience in the Johnson administration caused him to be so distrustful that he alienated himself.

Young: There was a story somebody in the White House tells about the first call he got, which was Joe Califano telling him not to let them do what they had done to him.

Marshall: He told me that. He tried to tell me, "Well, don't let them do you that way." I said, "Look, they are not going to do me anyway." My view is that if you are going into anything, you want to organize your friends and disperse your enemies.

Young: Usually if you pick a fight with the White House you are going to lose sooner or later. Your statement about your belief in getting the facts straight and then arguing from there indicates one possible connection you had with Carter, because it seems to me that Carter liked to have the facts straight and then get an agreement of stipulation as to the facts. Carter, as a negotiator at least, or a dispute settler, did that at Camp David.

Marshall: That's what made it possible to break off Camp David. Attention to detail.

Young: So there may have been something in your fidelity to the facts and your use of the facts that made you more attractive to him perhaps than somebody else's Cabinet appointee. Just one last question. I reread the transcript of Carter's press conference in Cranston, Rhode Island, where he talked a lot about labor and industry. The coal strike was going on then and he was reporting some movement but no final settlement. He got an awful lot of questions about that, and the questions were, "When are you going to do something? When are you going to intervene?"

Marshall: Our policy was not to intervene.

Young: Yes. I wondered how he related to that. Did you have a problem with him wanting to intervene? Did he follow it fairly closely?

Marshall: No, he agreed. In fact, that's one of the things that we talked about in Atlanta, how you deal with these disputes. I gave him my argument about non-intervention and he thought that made sense. He'd been in negotiations and he understood that you couldn't have a three-way negotiation if the government was one of the parties. If you do, one of the other parties is going to think it can get more from the government than its opponent.

Young: Do you think he has a good instinct for negotiation? Or did you sort of teach him his role in this?

Marshall: Well, in labor he didn't have much. But he was the negotiator and did his business. So he agreed with that. I remember he said, "For a fellow who stays out of all these things, you sure spend a lot of time on it," which was the case. You have to do a lot more work to stay out than to get involved, to intervene in the settlement. He did get a lot of flak from people wanting him to get in, such as Congressmen from all the coal states.

Young: He was following your lead on this.

Marshall: Yes, that's right. And he kept saying, "Do we have a policy on that?" Now what caused him to finally give me the order to get into it were Jim Schlesinger's numbers. That's where I didn't have the facts. I couldn't counter Jim's facts. I didn't know if you were going to have brown-outs and black-outs and all the rest of that around the country. I had no evidence that that was happening but when I put BLS [Bureau of Labor Statistics] on it, which was too late to figure out what the strike impact had been, it was minimal. A maximum of 25,000 people were unemployed because of that strike, no more than 50,000 or something.

We had more coal above ground when it ended than when it started because you had a lot of non-striking coal workers. The coal was there. The big problem was law enforcement. What I did after that, though, is that I had BLS start a doing strike impact statement. I had somebody in ASPER [Assistant Secretary of Policy Evaluation and Research] put together a whole methodology to do strike impact studies. So when we came up the Secretary of Transportation said we were going to have this big trucking strike and we probably ought to get involved in it, saying it's going to have this kind of impact. He was using a 1960's kind of study.

I was ready, and I said, "Well, let me show you what we've done on that. My people have worked with your people on that and they don't see that. If you would update all this we've got a much more flexible transportation system. It's probably not going to have much impact on the country and therefore my recommendation is that we not get involved in it." We let them settle their own dispute. They had an eleven-day trucking strike and most people don't even know it happened. If we had been involved in it, it would have been maybe 111 days and everybody would have known about it and it would have looked like we bungled it. If you are trying to simultaneously deal with inflation and get involved in strikes, you are going to lose.

Thompson: Some of the people have said, and Jim Young has said in a sense, that in a way the Carter Presidency is a bridge Presidency, that it is a bridge between a much more interventionist, New Deal kind of Presidency that preceded and the Reagan Presidency which followed it and almost ideologically some of these principles. But what you've just described regarding strikes was to take a different view than previous Democratic administrations have. Fiscal conservatism, non-intervention in strikes, all of these things. Is there any truth to that?

Marshall: I think there is some. It was conservative. I'm not sure it was more fiscally conservative than John Kennedy's administration. I think you would have trouble arguing that Jimmy Carter was more conservative than John Kennedy or Lyndon Johnson. You know Lyndon Johnson was a very conservative person on a lot of things. I think the real exceptional case is Reagan. I don't think it's a bridge. I think if he had followed Ford he would have looked radical. Because after all, Jimmy Carter built on Gerald Ford's policies. John Dunlop and I don't disagree at all on this interventionist business, and George Shultz and I don't disagree. Now Art Goldberg and I disagree because he was the intervener. He believed in that. He had great trouble staying out of strikes. He just loved it, I think. They said, and he told me he didn't do it, that he was riding down the street and saw a strike at the Metropolitan Opera House and stopped his car and went over to settle it.