

INTERVIEW XV

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INTERVIEWEE: JOSEPH A. CALIFANO, JR.

INTERVIEWER: Michael L. Gillette

PLACE: Mr. Califano's office, Washington, D.C.

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G: Why don't we begin with the discussion of interest rates and the increase in the discount rate in December 1965 by asking you to reflect on President Johnson's attitude toward interest rates and the Federal Reserve System.

C: The President wanted and believed very deeply in low interest rates, first, because he felt strongly about the small businessman, the small farmer, what interest rates did to them and he thought to have higher interest rates would have a serious effect on what had been almost sixty months, I guess, of prosperity, and would damage the economy.

G: He saw it as inflationary?

C: Well, he saw it as inflationary but he also saw it as inhibiting economic activity that would otherwise take place. His view was farms would close, small businesses couldn't make any money and it would have a depressing effect on the economy. The second piece that he was worried about was that as interest rates rose, the interest payment on the federal debt rose and that created problems with the budget. So for those two reasons he was determined to keep them down. He was prepared to do a lot of things to do that,

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which we did over time, but one of the things that he was not prepared for was an increase in the discount rate. I think certainly Gardner Ackley aggressively shared that view and the whole Council [of Economic Advisers]. And Wright Patman came out of this same kind of instinctive cloth that Johnson did.

G: Certain populist philosophy.

C: Yes, a very simple, strong view of this.

G: How would you characterize Johnson's relationship with [William McChesney] Martin?

C: I think Johnson respected Martin, but I don't think he trusted him. Not that he didn't trust his honesty or integrity. I think he thought he viewed the world as a big time Wall Street banker, whether that was fair or not, number one, and number two, I don't think he thought Martin shared his political goals for the Great Society and Martin certainly was not a liberal. We tried very hard to forestall the increase in the discount rate. I can't remember the details, but I know that the President had Gardner Ackley calling [member of the Federal Reserve, Sherman] Maisel and others on the board to try and line them up. We viewed the Federal Reserve Board basically as a congressional committee in which we wanted to have the votes and we ultimately didn't have the votes.

G: Was that due to Martin's own prestige or influence or was it just due to a like-minded majority on the board?

C: It's hard for me to remember because my . . . What I remember is we wanted very much to hold the discount rate. We worked on it and Ackley worked on it. I assume [Secretary of the Treasury Henry] Joe Fowler did, too, but I think Johnson was never sure that Fowler felt as strongly about the discount rate as he did and as Gardner Ackley did. And

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in a situation like that he'd always go for the guy that was really gung ho. Also, I don't think Joe had the kind of relationship--I think Gardner was much closer to Sherman Maisel than Joe Fowler was. Secondly, Fowler, since he was secretary of the treasury, was always being bombarded more with the viewpoints of the people in the financial community. Most of them probably thought the discount rate should go up a little bit. I think Martin was worried about inflation and that's why he did it. He had to have--I assume that he lobbied his board members just as hard as we lobbied his board members and he had the votes.

G: You made the analogy with a congressional committee; there the White House had all sorts of inducements. What inducements could you offer for someone on the board of governors?

C: We didn't. That's the point of the Fed. I mean you have a term in office and you go through that term. Johnson often said he was not unmindful of the fact that having Martin as chairman gave some sense of stability and confidence to the financial community which was important to him. He was very sophisticated about all of this stuff. We were very conscious; he was very conscious. In fact, I learned from him how announcements would affect the stock market. It was a question he asked with frequency. As in so many things, he wanted to have his cake and eat it. He wanted Martin as chairman but he didn't want the discount rate raised. If he could have gotten either four votes so that Martin wouldn't have moved for a vote or if he could have gotten Martin to hold off and stay there, it would have been a tremendous achievement. It wasn't to be. Once Martin acted that Friday, I remember--I'm trying to check my book here for that

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Friday. But I know I called him--that would have been December 3 [1965]--and told him the President wanted to see him at the Ranch.

G: Now there was already a meeting scheduled at the Ranch, I think, a Quadriad meeting to discuss the increase in the consumer price index.

C: When was that?

G: Let's see. The meeting was scheduled for that Monday.

C: Was it scheduled to be at the Ranch?

G: Yes, I think so. That, of course, is the reason for the speculation that Martin sped up the vote of the board of governors so that he wouldn't be subjected to pressure.

C: That's right. That is right, and that made Johnson angry. Now I remember that. That's right. He felt he hadn't been given a chance to make his case, and that Martin sort of double-crossed him a little bit. The meeting, as I remember, was just--it was not a meeting full of recriminations, in my recollection at least.

G: What was the President's reaction, though, to the--

C: That Friday?

G: Yes.

C: He was mad.

G: Was he?

C: He was angry. He felt that Martin--now I remember--should not have done that, that Martin should have waited, that Martin double-crossed him. My recollection is--I don't have it in the phone book but I talked to Martin Friday. The reason I remember that is I think it's the first time I talked to Bill Martin.

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G: Did Martin say why the board had taken that action?

C: No. I think I called Martin and my recollection is I told him--I'm sure the President told me to call him--but I told him 1) the President was disappointed that he had acted in advance, that we were putting out a statement the next day or whenever we put a statement out, and 2) that this would be on the agenda on Monday and that we didn't understand why he didn't wait until we were prepared to tell him what we were doing with the budget and spending and everything, why he didn't wait for that before he acted so he had all the facts. I think Ackley also in addition to just the hike in the discount rate was very worried about the symbolism, the signal that the Fed sent out in terms of unleashing the banks and also sort of feeding inflation in effect rather than inhibiting it. There has been traditionally a fundamental difference by and large between Democrats and Republicans on interest rates and the role of interest rates with most people sort of holding the Johnson-Ackley-Patman view that raising interest rates creates recessions and doesn't really inhibit inflation that much.

I notice I met with Fowler that Friday afternoon and I'm sure that was to go over the statement. If I could reconstruct it, my best recollection is that Fowler called me to tell me that Martin had acted, the board had acted, and that it was a 4-3 vote. Then Ackley called with some of the detail. I called the President or they called him or we wired him or did something and it ended up in my meeting with Joe.

What does WAG mean here?

G: Week-at-a-Glance.

C: All right. With I guess Fowler--

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G: You had lunch with Fowler on Friday.

C: Yes, on that subject I'm sure and at whatever point we knew--they must have acted that morning--Fowler called the President to tell him.

Now on the sixth, the *New York Times* story, I don't know whether [Bill] Moyers put that out--I doubt that I talked to any reporters about this at this stage and I don't see any on my phone list. So that probably was put out by Bill at the President's request. By the sixth I'm at the Ranch; I've got no . . .

G: Well, did you and Fowler and Martin fly down together to the Ranch, do you recall?

C: My recollection is--and you'd have to check the flights--that we were all on the same plane, that we came down on a Learjet. I don't recall anything, any real conversation on that flight except small talk and partly that was because I, for one, [was], and my hunch is Fowler [was], uncertain as to how the President was going to play this when we had the meeting. We put out our statement. Moyers probably did some backgrounding or somebody down there probably did some backgrounding about the President's displeasure and we had the meeting. Now I have no recollection as to whether [Joseph] Swidler was on that plane. I just can't remember.

G: Swidler may have already been down there. Can you recall the various aspects of this stay at the Ranch that time? Apparently the President drove around with Martin and Fowler and others and had lunch.

C: No, I think by that time with the meeting by and large the point was to--I don't think we had any--we may have harbored some dim hope of rolling it back, but I doubt it. I think by that time we wanted to make damn sure no more increases in the discount rate came,

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and Martin knew there would be. To the extent we could raise hell, we would raise hell about that. I think we really turned our attention, although he didn't need any stoking, to really getting Wright Patman revved up and to getting control of the board.

G: How was Wright Patman revved up?

C: Well, I mean he undoubtedly didn't need any revving up. I don't know whether we did then or later--I know I toyed at some point with the idea of proposing legislation to have the term of the chairman of the Fed run concurrently with the presidential term so that a new president could appoint a new chairman of the Fed. I think we wanted Wright Patman to have hearings so that these guys would know they were under the gun and they had displeased Congress as well as the administration and wouldn't move again. Then I guess it was later I noticed Martin's memo to the President in--well, I noticed a couple of things. I also noticed the other thing we did--we were very conscious of the budget, as I said, as well as of the impact, and I do remember [Charles] Schultze playing with what we could do in terms of interest rates *vis-à-vis* the budget in one of his gimmicks moving interest expenditures down 1.8 billion.

But at whatever point--what I was trying to find was--here it is. In February of 1966, Fowler is writing the President urging the appointment of Atherton Bean to the Federal Reserve Board. I don't know whether we'd put Thurgood Marshall on the Court yet. We had put [Robert] Weaver in the Department of Housing and Urban Development. We moved with [Andrew] Brimmer. Brimmer was a black economist in the Department of Commerce. You'll have to check the President's logs. I don't know when Brimmer came over, but I got Brimmer--as we got closer and the President was, I

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could see, getting ready to put a black on the Federal Reserve Board, he got worried about Brimmer and whether or not Brimmer understood, as the President put it to me, "whether Andy Brimmer has forgotten what it was like to be black" because he went to Harvard and he's been living this good life and he's over at Commerce with Jack Connor. So we hauled Brimmer in on a Saturday afternoon, I think, or some point very close to when we were going to appoint him. I talked to him for a long time about interest rates. And there was no subtlety. It wasn't like the current appointment of the Supreme Court Justice [Anthony] Kennedy in which he said he didn't promise anything to the White House. There was no subtlety; it was low interest rates, low interest rates, low interest rates. Then I brought Brimmer in to the President and the President started right off the bat: did Brimmer know what it was like to run a small candy store? Did he know what it was like to run a little grocery store? Did he know what it was like to be a small farmer? He'd forgotten. Did he know how important high interest rates were to them? Did he know what high interest rates did to blacks that were just trying to start something and how it would devastate them and what have you? He really went into it. Brimmer, of course, as you might expect, said he understood how bad high interest rates were.

G: Russell Long had his own candidate for that spot, apparently lobbied against Brimmer. Do you recall that?

C: No. When I look at Martin's letter, I do recall Martin not wanting Brimmer. Basically, I don't think Martin just did not want Brimmer; Martin didn't want the President to have another vote.

G: I was talking about Russell Long, Senator Long.

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C: Yes. No, I don't have any--I don't have at least any present recollection of Long.

G: Can you go into the atmosphere at that Ranch meeting any more?

C: It's very hard. It was tense and when I look at the picture and see that both Moyers and I are taking notes, that's because Johnson said, "Take notes. I want notes," the way we're both writing like that. No, and it wasn't--the problem with a meeting like that is it's an arms-length meeting and someone like Lyndon Johnson would assume that whatever was said at that meeting could see the light of day, that Martin would do that. Words become very carefully used.

G: Did Johnson try to exact any commitment from Martin not to act unilaterally in the future?

C: He did try to get Martin to agree not to act, to give us notice of any action he wanted to take and also not to act without all the facts. But that also has to be read against the context in which we were beating on him because he didn't have our budget and he didn't have this.

G: Martin has indicated that his decision was based on his own information about Vietnam spending. [Robert] McNamara had just come back from Vietnam and had indicated that it was going to be a long war. Martin apparently had his own sources of information from the Senate Armed Services Committee about expenditure levels. Was this an element in the discussion, disagreement over what the prospects for Vietnam spending would be?

C: I'll tell you how it became an element in the discussion. Martin--that's right. But the President kept saying to Martin that, "There are no decisions until I make the decisions. There is no budget until I approve the budget and I haven't approved the budget." By and

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large that year as in every other year the budget discussions took place just before and just after Christmas. Martin couldn't possibly know what the Vietnam expenditures were. Something else happened here--I don't know whether--it was after this--which would make a guy like Martin very skeptical. McNamara at some point decided and we decided for purposes of the budget to calculate Vietnam expenditures as though the war was ending at the end of the year so to speak. Okay? That kept those expenditures down when the budget first went forward. You just took it to the end of that year. When he became aware of that and when Fowler fully appreciated that, they both became suspicious of budget expenditures. What I don't remember talking about at the Ranch, but I remember eventually doing in 1966, was moving on capital expenditures both legislatively because of the pressure capital expenditures put on interest rates, legislatively in terms of repealing the investment tax credit, and publicly and privately in terms of hauling all these businessmen down to Washington, which is probably something worth your people doing. I think it's been--we brought them to Washington to tell them to hold down capital expenditures. Then, the President to their astonishment I'm sure, had me send everyone that was at the dinner a letter asking them to report to us on what they were doing to hold down capital expenditures. Then we got the responses and some of them were good enough so that I did a backgrounder and it was quite a story on what businessmen were doing.

G: These were the luncheons that were organized at the White House?

C: There was one big lunch at which he [Johnson] got up and said, "You've got to hold down capital expenditures."

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G: And who was invited?

C: The Fortune 500. Not the Fortune 500, it was a big business lunch and it took place sometime in 1966. Then that wasn't enough and we also suspended the investment tax credit, or repealed it, and then a year later we put it back on. We had Joe Fowler very distressed about playing with the investment tax credit.

G: Returning to your point a moment ago regarding the way Vietnam was treated in the budget, simply assuming that the war would be over, what was the alternative? How else would you have considered those expenditures on a fiscal year?

C: I think what it kept out of the budget were a lot of expenditures that were going to be made that would carry you into the next year for equipment, ammunition. How many more supplies would you be buying, what would you be shipping over there, how many more troops would you need to move the shipments over there to keep it going so they'd be there the next year? That's what--

G: But wouldn't that be in the next year's budget or--?

C: Well, some of those expenditures would take--that's why we had the request for supplemental funds. If you assume the war is going to end on--I guess we then had a July 1 fiscal year--if you assume the war is going to end on June 30, you don't assume you're going to have to have supplies over there for people on July 1 or July 10 or July 15. You don't assume you have any pipeline. You don't assume you need to build up stores of ammunition to continue to fight for the next year. Those expenditures just don't get put in the budget. Then as we go further down the year we go and ask for supplemental appropriation for Vietnam. It was that kind of accounting that at some point I'm not sure

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we had done it at the point of this, but when Martin says, in fairness to him, that he had a different assessment of what Vietnam was going to cost than McNamara was giving the President, he undoubtedly had an assessment in which the Senate Armed Services Committee was saying it was going to cost a lot more. Also you have to remember, the military services had direct access to the Senate Armed Services Committee, the joint chiefs under the law. My hunch would be in that sense although he wouldn't put it that way Martin probably didn't trust the President or McNamara.

G: Was there a natural tendency on the part of the White House to low-ball these expenditures?

C: Absolutely, absolutely. To be honest, but to go as low as you can go being honest. The answer--you have to go look at the budget messages, and I will--McNamara's answer would be, I think, we stated what our assumptions were, and therefore it was straight.

G: You've given one example, the supplementals. How about letters of intent and other commitments that might not show up in the budget that would be a form of expenditure in that the military might go on and start producing a tank or an airplane or contract to it on the basis of a letter of intent but it wouldn't show up in the budget for--?

C: I can't answer that.

G: That wasn't a common occurrence?

C: I doubt it. I don't think so.

G: Was Martin's view shared by Senator [Richard] Russell, to your knowledge, that the war was going to cost more than the Pentagon had indicated?

C: I don't know the answer to that, but I think every war has cost more than anyone thought

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it would cost, like building a house or repairing or painting or constructing a floor.

G: To what extent was the discussion at the Ranch that Monday centered on the cost of Vietnam? Was that a major part of the discussion between Martin and the President, speculating on how much the war would cost?

C: It was part of the discussion. The main thrust of the discussion if my recollection is correct--and I don't know whether you found any notes on that--

G: No.

C: That's too bad--was sort of why didn't you wait until we had the budget, until we had all our budget decisions, that those decisions aren't made until the President makes them and they're not made until the end of the year and you could have waited. Why didn't you wait? There was an element of why did you do it before this meeting. In that context, Vietnam came in for some discussion.

When I look back at the October 6 meeting you can get an even greater understanding of why the President was disturbed at Martin for jumping the gun, because in October we talked about the pressure on interest rates. We had the Quadriad meeting with the President and, one, he specifically asked that Martin wait as long as possible before moving; just wait and not make a decision about discount rates. Two, he went into the fact that he had no idea what Vietnam was going to cost and we wouldn't know until McNamara had a chance to really put it all together. So in that sense I think that Johnson felt he'd been essentially open with Martin and that Martin had moved too soon, just not played it straight with him.

G: There's an assumption there that if Martin had waited, that if the information did support

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the need for a rise in the discount rate that the White House would have gone along with it. Is this the case or do you think that LBJ had--?

C: I doubt if we would have gone along with it. We might not have put out quite the statement we put out. I doubt if we would have gone along. I think the point was let's get the budget together, let's get all the facts together and then we'll lay them all out to the Quadriad, or we'll lay them out to Martin, and let's see what he--

G: The statement to the press was fairly conciliatory, though.

C: Compared to the earlier draft. I did send the President a draft of a much tougher statement that said that it was unwarranted. My hunch is that Ackley and I probably put that together. If I had to guess it would be Fowler who tempered it a little bit and then--this is really--I don't have any current, present recollection of this but a likely possibility is that I sent the President a statement that reflected roughly what he wanted to say with Ackley, told him Fowler wanted to temper it a little bit. The President decided to temper it a little bit and do that and at the same time to then have Moyers or somebody down there, Joe Laitin--in effect have it both ways. Put out the tempered statement, then put out the backgrounder that he was very distressed. So that he was in a position when Martin arrived on Monday to say, "Look how temperate I've been," but the word was out that he was pissed off.

G: Then would he in turn be irritated at the *New York Times* report describing his--?

C: Yes, he'd be irritated but his irritation, you just don't know whether it's real or whether it's got some purpose that he wants to achieve. I just give you--this is not on this point but we had a task force report on education. You should run this down, too; the *Times* had a

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big story. The President said, "I want you to float that, float those ideas." [It] involved a lot of money, a lot of new ideas. It took me a couple of weeks but I finally got it in the *Times* to the right reporter whether it was Max Frankel or [Robert] Semple or somebody. They did a front-page, sort of left-hand, column story. I arrived at work that morning proud of my handiwork because it was all out there and we had all our options open and [Douglass] Cater was almost a pile of jelly because the President had just taken him apart for the leak of this report and trying to figure out who leaked the report. And I said, "God, I put it out." He said, "I'll never tell him." And I said, "He told me to put it out. He told me"--(Laughter) Somewhere there should be also in the files if my recollection is right, one way or another I sent the President a note or did something that said, "Here's the story and here's the report," or said to him, "Have you seen it?" And he said nothing. Never indicated to me what he'd done to Cater, but it was over. People stopped running around to find it. So he was always mixed about that and, of course, also, the story could never be written the way he wanted it. The story would be written and as it would come across the wire in the first paragraph he'd call up and say, "That lead is wrong. They should be writing"--and he'd want you to literally call AP or UPI and try and change the lead. So in that sense--but, sure, he was capable of both really being angry even though he'd put it out or feigning anger for some other purpose.

G: Were you ever in the position of being instructed to track down a leak and then discovering that he himself had been the leaker?

C: I often was instructed to track down a leak and I think after the first couple of times I never really--I mean there were instructions you followed and instructions you didn't

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follow. Those were ones I just by and large ignored.

G: He wouldn't demand a follow-up on it or--?

C: Oh, sometimes, but events move so fast in the White House that you'd be on to the next thing. The other thing is he always had such a predisposition, a preconception about who would leak it anyway. On some of the stuff it wasn't hard to tell.

G: How did you track a leak? What was the procedure?

C: I mean I didn't. If it were out of the Pentagon, I'd call up McNamara. I'd just call up the cabinet officer. I mean I never really seriously pursued . . .

G: Was it possible to get reporters to tell you who had given them the story?

C: No, I don't think I ever asked them. I don't think I ever asked them.

G: I notice at that Ranch meeting there's a note here that that afternoon--

C: What page?

G: Let's see. It's the afternoon of December 6, Monday. You drove into Johnson City with the President, Moyers, Marie [Fehmer] and Vicki [McCammon] where I guess he let you off in Johnson City and then he went on to see about his prize bull which had just won some award. Do you recall that ranching episode in the middle of the--?

C: I don't, to be honest with you.

G: There was a decline in the stock market in the wake of the Fed's action. Do you recall the President's reaction to this?

C: No, it was--I can't remember at what point--and I just see something here that I remember, too. I do remember Martin, and Martin did use the gallbladder as an excuse. He did say he didn't want to bother the President when the President was recuperating, which was a

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bullshit excuse.

G: What was the President's reaction to that?

C: That it was a bullshit excuse.

G: Did he take that up with Martin personally or did he--?

C: I can't remember. I do remember Martin saying that. I know he said it to me and I think he said it to the President as well. It's at some point right after--1) the meeting at the Ranch, 2) getting Wright Patman revved up, 3) when interest rates went up we expected them all to go up, the hauling of the Federal Reserve Board before the Joint Economic Committee. I mean all of that was--it didn't take much to inspire anger on the Hill because both houses were in Democratic control and both houses did not like the Fed, or Martin's Fed. But there is some point very soon and maybe it was just early in 1966 that we started moving aggressively on everything we could do to hold down interest rates. We've got to get into that program and you really should be--the things that are there . . . There's a point at which all federal paper had to be cleared through my office for borrowing, through Fowler and then to me to put an inhibition on that. The incident--you ought to get Wright Patman's letter to Fowler--the incident of Fowler wanting to move federal deposits around when banks raised interest rates to jerk the federal deposits out of those banks and Fowler refusing to do it and Wright Patman--you know that story.

G: No.

(Interruption)

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G: Okay, you were going to tell me the episode with the shifting of deposits and Wright Patman.

C: Well, you've got to get the stuff here. You make a note to get the papers on this.

When a bank raised interest rates one of our levers was that we could move the federal deposits out of the bank. The President wanted to use that. Fowler did not want to use it. He was appalled at the thought that we would do that. And we couldn't really move him.

G: Because of Fowler's opposition?

C: Yes, Fowler was the treasurer. So the President asked Ackley, or I asked Ackley, to produce a record of the rise in interest rates under Fowler and other treasury secretaries. This should be somewhere. These papers should be there. Maybe they're in my files.

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C: However it was done, the President called Wright Patman and got Patman on the phone and in effect said, "Do you know, Wright, that interest rates have risen more under Joe Fowler than under any other treasury secretary in the history of the country?" By the time he finished with Patman, he had Patman ranting on the phone and the President said, "You ought to haul Joe Fowler up there to testify before your committee and explain this." And Patman sent Fowler a letter, a stinging letter, and asked him to go and testify. Fowler called me with Patman's letter, wanted to see the President, came over with the letter. It was really one of those Patman specials, like a Saturday night special. Fowler said in effect, "What am I going to do?" The President said, "Well, you got to show them you're doing something about interest rates. Now, what can we do about interest rates?"

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Now, one of the things we could do of course about interest rates, about these banks raising their rates, was to move some of those federal deposits, that the government shouldn't be a co-conspirator in the banks raising their rates, and we started to move some of the money around. Fowler was--

(Interruption)

C: --I don't know when--that came . . .

G: I'll find out.

C: I guess what I think is, it was such an extraordinary program if you could just--in either my files [or] did John Robson, has he turned his files in to the Library?

G: I don't think so. I'll check.

C: Ackley?

G: Ackley's, we've got copies of his. They went to Michigan but we've got [copies].

C: Did Ackley die?

G: I think he's still living. [Arthur] Okun died but Ackley I believe is still alive.

C: Okun died, that's right.

G: And, of course, [Walter] Heller died not long ago.

C: It was Heller's death and Wilbur Cohen's death that really got me focused on this book.

Well, the inability to check with people because memories are so tricky.

G: Okay, let's see. Anything else on this?

C: That was my first budget so I don't know how they may have done things before or after, but it was--over the years he delegated more of it within the time I was there to Schultze and to me. But the major issues, we had the key agency people down on; Gardner would

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come down. [Glenn] Seaborg on the Atomic Energy Commission; McNamara and the [joint] chiefs would come down. We went item by item over the major issues they wanted in place. With respect to most of them he didn't decide until after he heard out the cabinet officers. With respect to some it was just a formal--just to give a guy a shot [inaudible] before then. But I can't make that judgment.

You know Moyers and Johnson was an unbelievably complicated father-son relationship and, yes, I think the President thought that Bill had started leaking to the press for his own benefit and was protecting himself on Vietnam. I think Bill was just getting burnt out. But I think you'd really have to talk to [him]. Has he talked to you? Will he--?

G: Why do you say complicated, what was complicated about--?

C: About Moyers and Johnson?

G: Yes.

C: I think Bill, like any other very bright person and like any son, wanted to break out from his father. The President had basically made Bill, and you know, given him whatever his chances were, helped educate him, as I understand it. Bill was off working for the Peace Corps with [Sargent] Shriver at the time that President Kennedy was assassinated and he rushed to Dallas to be with him [Johnson] and fly back on the plane with him. That was one. Two, Bill was terrifically ambitious. We were all ambitious as hell. He may have been the most ambitious of all the White House aides.

G: Why do you say that? Simply because--did he tend to promote himself more than the others?

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- C: I think so, yes. When he got in the press job, I think he did a lot of that. That's a very tempting thing to do. He was a master at dealing with the press; he really was good at it. He was terrific at it.
- G: Because he was witty?
- C: He was witty. He knew how to background them. He knew how to make those sort of unstated deals with them. But I think what happened was--I don't know whether it's true or not--what the President began to feel was that Moyers was briefing at one level and then backgrounding about his concerns about the war or what have you, that was one. Two, always the concern about the Kennedys and the relationship with the Kennedys. When I'd go to a party at Bobby Kennedy's he'd raise hell with me if he read about it in the *Washington Post* the next day. Then, three, just the whole father-son relationship breaking up, the separation, Bill wanting to get out on his own. And I think he was worried about his family, whether his family would hold together.
- G: Was Johnson ostensibly fonder of Moyers, let's say, than he was of his other aides or ostensibly more concerned, more caring?
- C: Now, Walter Jenkins was gone by the time I got to the White House. And the three sort of old-timers were [Jack] Valenti and [Horace] Busby and Moyers. Of those I think Moyers and Jack were sort of the Johnson intimates in a personal sense, in a long-time sense. And, you know, the President was a man-eater. I don't think even he realized what he consumed; 1) because he worked so hard which forced everybody immediately around him to work at least that hard, and 2) the same sort of bulldog persistence, the same sort of "what is every lever you can push to get this person to do what you want him to do,"

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that made him so successful also made it very difficult to work for him. We were all chewed out by the President for one mistake or another and we were all praised by him, but those guys, Moyers and Valenti, were chewed out in the way a father really tears into a son that he wouldn't do with someone that wasn't like a son and I think that made life difficult.

G: Were there natural alliances within the White House staff, for example, based on liberal-conservative lines or Texas versus non-Texas lines or Vietnam?

C: I did not have any sense of that. Marvin Watson was far more conservative than I was and he'd tease and he'd say, "We're going [to] get some other crazy program," or something, but I didn't have any sense of--he had a job. He was the administrative guy. He was the appointments guy or whatever he was during that time, and he did it.

Certainly with respect to people like Valenti and [Harry] McPherson, for someone like me who didn't know the President at all when I went over there, they were enormously helpful. I had no sense of being undercut. I think if you talk to any of them and they talked to you candidly, Moyers would periodically just take credit for stuff he hadn't done, that kind of stuff. Everybody knew about that but I didn't have any sense of a lot of friction on the staff. I'm sure guys thought I ran over them. I'm sure there are staff people that thought I ran over them in terms of getting things done.

You occasionally would have somebody like Kintner, poor Bob Kintner, who came on. When you'd come on the staff the President would say, "I want you at every meeting. I want you to read every paper that crosses my desk. I want you to be involved in every decision I make. And Kintner, poor guy, was dumb enough or naive enough or

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old enough or whatever to take that seriously, and he started doing that which, of course, destroyed him even though he was warned, I think, not to do it. Kintner had had an alcohol problem and I think the poor guy got into another alcohol problem working on the staff. That was no place for anyone who was trying to quit smoking or quit drinking or do anything like that. It was really--

G: Was Vietnam a divisive issue in terms of the staff?

C: Well, I think certainly McPherson and [Walt] Rostow did not see eye to eye on it. McNamara and Rostow did not see eye to eye on it.

G: McNamara and Rostow did not, did you say?

C: I don't think so. Certainly not at the end, not the last year or so. I don't think there was anything like what was sort of the fight for the President's mind in the winter and spring of 1968. That created some real division in terms of the hawks and the doves, if you will. I think so, yes, but I don't think--and indeed this guy I have hired to work for me has done an interesting paper on Tet, which I'll give you a copy of. It's kind of interesting. He went down to the Library and read a lot of stuff. But, no, I had no sense of a staff at war within itself. I had no sense of the kind of thing you read about on the Reagan staff. You have to remember something when I say that, which is, by and large, I'm sitting on top of it. What's churning underneath me, I don't know but I was lucky. I had total access. I had no problems *vis-à-vis* the President except we'd all have periodic splits with him over one thing or another, but it was . . . I had no sense of people running around stabbing me in the back or anything like that.

G: Was Moyers identified among the staff members as a dove on Vietnam at this point?

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C: No, I don't think so. I don't think so. I don't know when he became a pronounced dove. I don't think there was the . . . You know, everybody will rewrite--rewrite is unfair--will remember what happened in different ways but I don't have any sense of a major split on the war until we get well into 1967.

There are interesting things. Fred Bohen, who worked for me, and did urban stuff, I guess, you ought to talk to him. He's the vice president of Brown University. Bohen came to see me at some point and said he wanted to leave because of the war, and did. I told him not to put that in his letter to the President because I said, "He's got enough--he doesn't want the war any more than you do. He's got enough grief without that. Go on good terms."

But I did not have a sense of big splits within the staff on that. As I probably told you, I had a tremendous sense of the--and I was reminded of it when I read this young guy's paper. I went to the luncheon at the State Department or the meeting at the State Department when we were working on the March [31st, 1968] speech. And Harry was working on the Vietnam part of it; I was working on the economic part of it. He and I were there, and [Dean] Rusk, McNamara, [Clark] Clifford, [Nicholas] Katzenbach, I don't know who else--this kid had all the players there. I do remember, I had been out of Vietnam essentially and I just remember the monumental pessimism. [Earle] Wheeler wanting another 206,000 men and people saying, "Nobody knows whether it will make any difference. It still may not be enough to win the war. No plan to win the war." I remember coming back out of that. Harry and I drove back to the White House together saying, "This thing is insane. This is crazy." I've never seen guys so devastated and

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down and depressed. I remember that vividly. It was that meeting for me that I knew it was, I don't want to say I knew it was over; I knew we were going to have a change.

When your secretary of state and your secretary of defense and your incoming--Clifford was actually still very hawkish at that point.

G: In March 1968?

C: At this meeting whenever--maybe it was February. I knew. I knew we weren't ever going to give Wheeler 206,000 men and I knew somehow or other this thing was going to be wound down.

When I left the White House in January of 1969, I was taking this trip around the world on a Ford Foundation Grant. McNamara had said to me, "You know, you ought to put some focus in it. If you travel for two or three months or what have you and you really don't do anything, you get tired of it. You ought to be doing something." So I decided I would look at the student revolution because I really didn't understand what was happening to the students in our country. I could not fathom it, the demonstrations, the disturbances, the dramatic change. So, I did. A lot of it was the war but a lot of it was more profound than the war.

G: But abroad as well, not just--?

C: Oh, I did it in ten countries. I'll even give you a book. I wrote a book on it [*The Student Revolution: A Global Confrontation*].

G: I'd like to see it.

(Interruption)

C: When we decided that we would dispose of the stockpile in whatever amounts were

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necessary to break the price of aluminum and I had indicated we might put out two hundred thousand tons. That turned out not to be enough. McNamara and I talked. Then McNamara called [John] Harper, the head of Aluminum Company of America. He said, "John, I know how concerned you are about the budget and about balancing the budget and expenditures. One of the things we're going to do to balance the budget, and we know you want to cooperate in this, is that we're going to sell the entire aluminum stockpile and that will have a tremendous impact on government spending." He said Harper said to him then, "You son of a bitch, you're blackmailing me." And Bob said, "No, no, no. We're doing this in the interest of the country and the interest of balancing the budget," which precipitated the meeting that McNamara had with Harper and Lloyd Cutler who was representing Kaiser. I had called Edgar Kaiser in Israel where he was and he had said that he would help and he sent his lawyer, Cutler, to help. Unsatisfied with the meeting with McNamara in which he took a very hard line, they tried to come and see me at the White House. And we decided that they would not see me at the White House. The President, among other things, wanted to not have the White House as involved as the papers were saying it was and they literally stood at the gate, this chairman of Alcoa and Washington super-lawyer, trying to get in, trying to get a phone call through to me, and we just wouldn't take it. The guards turned them away at the gate and Harper was just livid.

End of Tape 1 of 1 and Interview XV

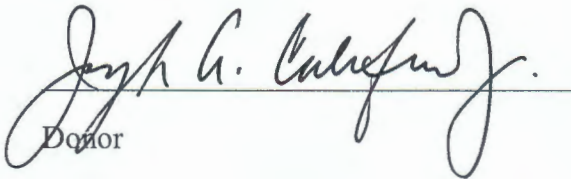
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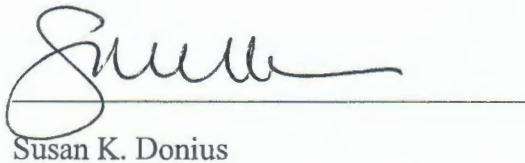
Joseph A. Califano

Interviewed by: Paige Mulhollan, Joe B. Frantz and Michael L. Gillette

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