

INTERVIEW XLV

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INTERVIEWEE: JOSEPH A. CALIFANO, JR., with comments by Marcel
Bryar

INTERVIEWER: Michael L. Gillette

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

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C: --but we ought to get him on while I think of it. On Monday, April 4, Rod Markley who was then the vice president for Ford for Washington, this is April 4, 1966, and John Bugas, who was, as I recall, an ex-FBI guy who was going to testify on our Auto Safety Bill, came to see me. Henry Ford, as I recall, sent them because he wanted me to see an advance copy of their testimony on our legislation. When the President recommended an auto safety bill, which is basically the bill that now requires seat belts and created all this auto safety stuff, and a highway safety bill, the auto industry reacted violently in opposition to it. But it became--well, it was one of ten or twelve items in the State of the Union Message. It was one--the day after the State of the Union I remember it being up front in the first few paragraphs of every story on the State of the Union, as did the President, and it became, as a result of that, a major legislative item. It had originally been an item that was basically put in there because it was a good idea but also to sex up

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what was our major objective, which was the [creation of the] Department of Transportation, and have a really good transportation bill.

There was a terrific dispute in the government about whether or not we should put criminal provisions in the bill and when we do the auto safety we'll have to get into that. I can't remember whether they ended up in it or not in it. Jack Connor was opposed to them. I remember I, at least initially, was for them. And I think the bill may well have had criminal provisions as it went forward. I can't remember.

It acquired an instant and tremendous head of steam because as President Johnson said, just as you noticed and I noticed that this was in the top paragraph or top three paragraphs of every story on the State of the Union, so did every senator and every congressman. And [Warren] Magnuson wanted to go with the bill and the transportation committee in the House--I guess it was [Chet] Holifield, I think--wanted to go with the bill.

Bugas and Markley came in to see me with testimony that totally opposed the bill. And I said they were crazy to do that, that they would be crucified if they did that, that the only issue was what kind of a bill would pass. There was no longer any issue about whether there'd be a bill. And they were very disturbed at that meeting. When I told them that, I said, "I appreciate it," but I told them, "You're making a very serious mistake," and as a result they went back and told Henry Ford what I had said, and that precipitated Ford either calling me, or perhaps calling the President who he was much closer to. And at some point--is this April? Have you got April? Let me just-- In any case Henry Ford probably called the President promptly after that meeting and raised hell--well, we'll find it--and as my recollection is that he said, "What is this arrogant

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young kid telling us this bill's going to pass?" and we shouldn't testify totally against the bill, and what have you. "How does he know"--which prompted a call from the President to me in which he said, in effect, why did you tell these guys not to testify against the bill and what have you. And I said, "The bill is going to pass," and it would, you know. I just was trying to help them because the only question is what kind of bill will pass. [If] they just go up there and attack the whole bill they're going to get crucified. And I thought the President was angry with me for what I had said, you know, for quote "being arrogant," *vis-à-vis* our legislation but what he said to me was, "You," he said, "don't ever tell anybody something like that. If they go up and testify against the whole bill, that'll get the guys on the committee mad as hell at them and we'll get a stronger bill. Let them go."

The other thing that struck me about this day was that night. I believe this was the night because Gusty's was the restaurant. I went to Gusty's with my wife and we had a babysitter at home, and we came back home and I didn't tell the White House switchboard where we were going and we came home from dinner and this babysitter was in tears and her mother was over there, and said, "You've got to call the President. You've got to call the President. We think he's sick. We think there's something wrong with him." And when it all shook down I called him and he wouldn't take my call. When it all shook down what happened was, we got this babysitter and her mother to get it out, was that the President had called; he'd gotten on the line. The babysitter had answered the White House phone and he'd asked where I was and she didn't know where we were, just that we were out to dinner, and he said, "Well, he's my lawyer and if I'm dying and I want to change my will, and I only have a couple of hours before I die, that's terrible. You've got to find him. Where is he?" And so she became terrified that the President

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was sick or dying, called her mother, and it was just the most incredible experience.

Needless to say I never, never, went anywhere without leaving a phone number again.

G: Did he ever remind you of that?

C: No. The next day--then I called him. I had called him back that night, and as soon as I got in the office I called him to return his call again, and he finally just talked to me. Let's see what point on the fifth of April we talked. If it's, well, let's just see. I'll have to look. First I have to. . . . Well, I don't have him calling me until. . . . Well, I saw him late morning on the fifth. Let's see if we have his call on the fourth. I don't have him calling me. Maybe I've got the wrong night. But I think that's the night. Maybe there's another night we went to Gusty's.

G: It may not be in the log if he called himself. It may not be logged in.

C: God. [Abe] Fortas is really all over this.

Okay. In any case, let's get on with this.

G: You think this is about April 4, 1966?

C: I think this happened on April 4. Well, I just, maybe I'm wrong, but it was within a few months after I was at the White House and what I do vividly remember was that the restaurant we were at was Gusty's, and that the babysitter didn't know. And I also remember that meeting with Bugas and Markley. Okay. Stuart Saunders is still coming by. Okay. Do you want me to look at these or--

G: Why don't you do that?

C: I should look at the parts that are marked?

B: I marked the spots where I thought--

G: Any insights on the origins of this dinner?

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C: Well, I don't know when the dinner was scheduled, and we ought to try to find that out, but in late 1965 as we started to get more and more evidence of the economy heating up and ultimately decided to make some modest tax proposals to take a little bit, as these papers indicate, take about seven billion dollars out of the economy, and not bite the bullet on whether to recommend suspension of the investment tax credit. Early in 1966 we got indications that capital spending was going up very rapidly, and that in turn, that was of great concern to us because that could overheat the economy and push up interest rates further as business had greater demand to borrow money for these capital expenditures. And a survey came out, the Edie Survey, E-D-I-E, in, I guess in February, late February or early March, but the survey came out indicating that there would be a 32 per cent increase in capital expenditures. These surveys are based on, as I recall, they try to project what businessmen say to the surveyors in response to their questions about what they're going to spend on capital investment during the year. That survey caused great consternation because for fear, one, that [William McChesney] Martin would kick up the discount rate again. We'd just been through a battle with him in December over it. And, two, the banks would raise their interest rates, and the question became what to do. It also added more fuel to the fire of those who wanted to suspend the investment tax credit. [The Department of] Commerce and the Securities and Exchange Commission did do their own survey periodically of capital spending, and [Gardner] Ackley and others thought that survey was a more accurate survey than the Edie survey, although you're never 100 per cent sure. And that indicated increases in capital expenditures of, as it said here, 15 ½ to 16 ½ per cent, about the same level or a little bit more than the same level of increase in 1966 over 1965 as the increase had been in 1965 over 1964. And we knew

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the Edie Survey was coming and the question became what could we do about it? And I can't remember whether this was originally my idea or somebody else's but the idea was that we'd get Wright Patman who was going to be furious with concern about anything that would kick up interest rates to hold some hearings and to write the President, have the President answer him; Patman could express concern about this survey. The President could answer with, in effect, an advance set of numbers on the [Department of] Commerce, SEC [Securities and Exchange Commission] survey, hopefully diffuse the Edie Survey, and then let Patman hold his hearings in that context. And that's what we decided to do. The President was at the Ranch, and I see that in--I wired him I guess on--the cable is here. I obviously had a meeting on Saturday, on March 5, 1966, with [Clark] Clifford, David Ginsburg, Kermit Gordon, Charlie Schultze, Gardner Ackley, McNamara, and [Henry "Joe"] Fowler. I'm sure this subject was the topic of discussion, as well as the economy generally, and off of that meeting Saturday night I wired the President at 11:45 p.m.--what a life we live--with this proposed exchange of letters and an indication that Ackley would see Patman on Sunday. I talked to Patman--well, I called Patman to see if he'd be amenable to doing this exchange of letters. He was agreeable to doing it. I called him on Saturday night, I guess. I'm sure I did because the cable to the President says that. Patman was--yeah, I talked to him. Well, that's interesting. What I must have done--we had the meeting, I called the President or the President called me, I'm sorry. The President called me in the late afternoon. I probably went over this with him because my book shows that I talked to him at 5:35 and then I called Wright Patman at 5:40 and proposed the exchange of letters to Patman. Patman agreed. I sent drafts to the President. Ackley went to see Patman on Sunday morning, and Patman sent his letter,

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dated his letter March 5, that Saturday, and the President answered Wright Patman on Monday.

Now. On the second of March which preceded that, and the President was in town, we had a meeting--where's the March folder? Wait a sec. Swore in Lee White that day. Let me just digress for a minute while I think--on the second of March I see the President swore in Lee White as chairman of the Federal Power Commission. I remember when [Joseph] Swidler decided to resign and there were big arguments about who would be the next chairman of the Federal Power Commission and what have you, that was Johnson at his best. I mean, Johnson ultimately decided to put Lee White up there because he thought Lee White would be answerable to nobody and would really be. . . . And he was very conscious of that, that he would really regulate and he would regulate in the public interest, and he'd be tough and he wouldn't get in bed with the oil and gas interests or the electric interest. And he also knew his way around the Hill because he'd come off the Hill.

But in any case we met for about an hour in the middle of the day, 1:28 to 2:32, with the President. It was the regular Quadriad meeting with Ackley, Schultze and Bill Martin. This was the first Quadriad meeting we'd had since December 6 when we'd had the blowout with Martin over his increase in the interest rates. And it was a very pleasant but tense meeting because nobody--Martin and the President had not been in the same room since that day at the Ranch. The meeting was precipitated by [inaudible] but I think the meeting was precipitated, as I look at my notes here, the meeting was precipitate by one of these Ackley zinger memos which we ought to get. I think Ackley sent a zinger in on the forthcoming Edie Survey.

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B: Do you want that memo?

C: Yes. Because I think Ackley had a lot to do with revving up--I think he knew how to write it so that he'd turn on the spigot. Martin said at the meeting that he had great fear and the Fed had great fear of inflation, and that the survey added to that fear. Now somebody--that's why I want to see the Ackley memo--I think either the President reading from the memo or somebody said that the discount rate should not be raised again, and Martin was always totally noncommittal and very sphinx-like at these meetings. I don't understand these numbers. I guess the President, and he may have been reading from--at the beginning of the meeting Ackley talked about the survey and then the President, and then Martin, expressed great concern about inflation. I really would like to get Ackley's memo. And then the President said that we shouldn't raise the discount rate again and that he should not have done whatever he did the last time with Regulation Q and said that there were 215,000 men in Vietnam, that there were 20,000 more on the way, and by September 1 he would have 40,000 more to add to the 235,000 that would be there. Talked about the GNP being just over 100 billion and as far as Vietnam was concerned and the number of men we may be leveling off or slowing down; we ought to be concerned about that. Fowler expressed his view that nothing should be done to suspend the 7 per cent investment tax credit. I gave a report on farm and food prices, and. . . . Well, I don't think. . . . No, and I guess I also reported that Secretary Connor had told me that we would have imports running out our ears. Martin said that the banks are trying to ration credit, and that the stock market is declining because of tight money and the possibility of new taxes. And Martin and [Frederick] Deming--Deming was the undersecretary of the treasury for monetary affairs then--said that we needed a slowdown

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in the rate of rise, at the rate of increase, of big business loans. And Fowler reported that Rockefeller had seen him earlier that morning--David, I assume--and said that they were going to raise the prime rate again. Then somehow we got into a discussion of [a] voluntary credit restraint program that the country had had during the Korean War, and whether or not we couldn't call in the top lending people in the country--I guess the banks--and ask them to temporize a little bit so we could put a clamp on plant and other capital investments, and that we ought to start looking at whether we would need another tax bill in addition to the modest changes we were proposing in the State of the Union Message, not do anything, but have such a bill ready. That, we also then somehow between then and Saturday came up with this idea of trying to diffuse this Edie Survey. In the meeting on Saturday in my office with McNamara and Ackley and Gordon, *et al*, we began to talk about the need for another program. McNamara talking about, one, stretching out all of our construction money, McNamara talking about suspending the investment tax credit, and Ackley saying that how we suspend it has to be very carefully done because if we indicate we're going to suspend it, orders will just go through the roof because people will want to get in before it gets suspended. We talked about cutbacks in government construction programs, and that any suspension of the investment tax credit would go back to the date; we would ask for an effective date as the day to which we proposed it. Schultze said that if we wanted to have any impact on the capital spending in the government arena we'd have to start chopping off projects in the middle of the work that was being done on them, because the big dollars were being spent on projects that were in their greatest period of construction at this point in time. And Fowler said that the Joint Economic Committee was going to propose that the President have the

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flexibility to raise or lower taxes by some modest percentage, 3 or 4 per cent, and that President wouldn't have to do anything. That would be very helpful. In any case, somewhere out of that and around that time we decided that we would go . . . well, that prices and everything we would have to go into a much more aggressive program in the private sector at everything, and one, and I sent the President a memo on March sixteenth of actions we were taking, about to take, or possibilities, and one was that as far as government spending went, we would cut government spending for construction by somewhere between 10 and 25 per cent. I'd already called around and told the agencies to trim back. And secondly, that we'd get the [Federal] Mediation Service, which was very difficult to deal with. The Mediation Service was very pro-labor, didn't like their wage-price guideposts, but that we'd get them to warn the Council of Economic Advisers at any time that when it looked like troublesome settlements where it might be coming down the road or troublesome requests and we hoped that would work. [William] Simkin was very difficult to deal with, the head of that.

G: Was there resistance among the agencies with regard to cutting back on the--

C: Abso[lutely]--always. Always. Always. Anything like that we asked them to do they resisted, but by and large they did it. We eventually set up reporting systems, so that we could take control of it. On eggs, there had been some increase in the price of eggs and we had [Department of] Agriculture taking some actions. We were concerned that that wasn't enough so I asked the Surgeon General to issue a warning about the hazards of excessive cholesterol and the role of eggs in promoting cholesterol, eggs being the greatest source of cholesterol, and that was done. We also--

G: How did the egg industry react?

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C: Well, I don't know if it had the impact it's had today. Today we sell--egg sales are off by 25 per cent. Billion dollars a year fewer eggs because of cholesterol. We did one other thing, and I don't know whether we did it at this time or at an earlier stage or later. The Pentagon used to buy large eggs as I recall, and we had the Pentagon move either to medium or small eggs, which were less expensive, to lower the cost of eggs. At another point we had the Pentagon move off of butter and we ran into a statute--is this somewhere in the papers?--we ran into a statute that under the law, sailors in the navy are allowed to get--had to have--butter every day and we wanted to move them off of butter and onto margarine.

I look at this thing on cigarettes. Cigarette prices were constantly going up. Basically cigarette companies can move those prices within reason at will, because people are just hooked, and Earle Clements was then the head of the Tobacco Institute. We had John Schnittker, the undersecretary of agriculture, talk to them. Typically they didn't give a shit. They just were going their own way. Reynolds Cigarettes said they would hold the price of non-filter cigarettes. Of course, non-filter cigarettes weren't selling nearly as well as filters. So since filters didn't provide much help to smokers, we asked the Surgeon General to issue a frightening warning about the health hazards of smoking with particular emphasis on how ineffective filters were for people, which was done.

On butter, we got butter prices down a little bit. We switched any Defense purchase we could switch to margarine, and we trimmed back the amount of butter we put in the school lunch programs. Actually, we probably didn't realize how healthy it was for us to get that fat out of the diets. On fresh fruits we had Defense cut its purchases. We had Agriculture selling as much corn and wheat as it could sell, surpluses in order to

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hold those prices down. Agriculture had increased proposed sales from natural forests and its lumber-cutting contracts, and Defense and GSA [General Services Administration] slow their purchases--we ultimately--that precipitated one of the mistakes we made. We were bringing these groups into the White House. The President wanted us to talk to every kind of group, and we had the home builders and the lumber people in there on the same day in different rooms. And I remember going into a group that I thought was the home builders and talking about what we were going to do to the lumber people to drive the price of lumber down and they indeed were the lumber people. I came back to my office and Ackley came down later and--Ackley or [James?] Duesenberry--and told me what I'd done and I said, "God!" And they said, "That's all right. They thought you were so thought, so unbelievable. I think it will have an impact."

But the ability to ship wheat around the country was a big problem and so we got deeply involved with the ICC [Interstate Commerce Commission] and I forget Bush's first name. Jack Bush[?], was it, John Bush--we ought to get it--the Chairman of the ICC, to start moving box cars around so we could get wheat to where it ought to be. And stockpile was always driving. I mean, Lawson Knott and Joe Moody were not aggressive. They were okay but the Office of Emergency Planning, who saw as part of their bureaucratic job watching the stockpiles and I knew if we sold all the stockpiles they'd lose some jobs, were very resistant. We also needed legislation on the stockpiles. We also did everything we could to increase imports into the country so that we could provide import competition and help drive prices down. On gasoline and petroleum and coal we had--the President liked to stay out of the oil business. He was very sensitive about that. But he did okay my asking [Stewart] Udall to have a Texas and Louisiana commissions

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increase allowables. I have the gasolines--let me do these digressions because they're--is that all right?

G: Sure.

C: I may have told you the story about the chairman of Exxon who was--did I tell you this story?

B: Yes. I think they have this in Oral History.

C: Okay.

G: Give me a little more of it.

C: Coming in, they raised the price of gasoline.

B: 1967.

C: It takes a second; I'll tell it. I forget his name. He was chairman of the Postal Rate Commission. He preceded [Robert] Hardesty as Chairman of the Postal Rate Commission. Mike something or another. [M. A.] Mike Wright, maybe. That's within the last few years. Gasoline prices were raised a certain amount, I can't remember how much; let's say three cents a gallon. We attacked the price rise as inappropriate and unjustified. It was Mike Wright. Mike Wright came in--he was then the chairman of Exxon--to see me, and offered to reduce the price, let's say, a cent a gallon. Would that be acceptable to us? I told him I didn't know, but if he'd wait I'd find out, and I got up and I went down the hall and talked to the President and said we would. . . . Basically, the President had to get more than half, so I came back to Wright and I said we'd have to get more than half, so we'd have to get two cents a gallon reduction, make him go up one cent a gallon, and he said that was okay and the industry did that and we backed off and took credit for it. When Wright hired me to be the lawyer for the governance of the

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Postal Rate Commission many years later in 1980 or 1981, he told me that story. I said, "What makes you come here?" And he told me that story and he said, "I never knew. I'd never known whether you actually talked to the President when you went down the hall or not." What he said was, he said, "I never got an answer out of government so fast in all my life, and I never knew whether you talked to the President or not."

G: Did you tell him that you had talked?

C: I probably did, yes. I don't know. But in any case. Copper we've talked about separately. On blue-collar costs I said that we wanted. . . . The wage boards were negotiating at this point in time with the federal blue-collar workers, and we'd like the President to issue a directive to all agencies, and to bring in the wage hikes within the guidelines that Bill Wirtz was opposed. I said, "With your approval we will prepare a directive for your consideration." He [LBJ] strikes out "with your approval we will," and he puts, "Prepare such a directive for my consideration," and such a directive went out.

In the training area, he--I said, "We want to get the poverty program to start training apprentices in the building trade area. The unions would be opposed to this. It would be controversial for it." And he said, "Let's get Wirtz draft proposal and present it to Wirtz." I mean, basically he wanted us to tell Wirtz to become the proponent of this and take on the unions. [Clark?] Clifford had suggested that the President appoint a high-level, broad-based advisory board to deal with price and wage restraint, desirability of taxes, make a report. I was worried about doing that and I guess others were as well, because they said, "We favor but only when we're pretty close to a decision." We really wanted the board as a rubber stamp, and he agreed with that. On processed foods, we made up a list of people for [Orville] Freeman and Schnittker to call in, and it was very

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difficult for the Secretary of Agriculture to become the guy attacking increased food prices but we had--the President always thought it was a dramatic way to drive that point home, and he approved having Freeman call him in and tell him not to increase their margins.

G: Was Freeman willing to do that?

C: Freeman did it very reluctantly, but he did do it. And he got burned a few times for doing it. In fact, this one exchange we've got to find, is one he really--

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C: --put that one. I want to remember that. Beer prices were going up, but the cost of labor and material were not going up. And we wanted Schnittker and Ackley to talk to the beer producers and he also asked me to call Gussie [August Anheuser] Busch [Jr.] and ask for his advice and help, which I'm sure I did. I don't know what he said; I don't have any recollection of what he said. Vegetables and fruits, there were these agricultural marketing orders and basically we took steps to bring more vegetables and more fruits to market. He approved every action we recommended, which was to us a signal of how aggressively he was really going after this stuff.

I then had a list of possible actions for him to explore that we wanted to explore. One involved the Renegotiation Board. I don't know what that was. We ought to find out what that was just to give a sentence or two about it. Then the Federal Deposit Insurance Corporation and the Comptroller of the Currency, we wanted them to tighten the standards by which they required banks to evaluate questionable loans, particularly construction loans, and by turning this screw on we could have another lever to screw this down. He said to explore that. We wanted the FHA [Federal Housing Administration]

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and VA [Veterans Administration] to reduce the maximum maturities on its mortgages and to maintain the present ceiling on interest rates which they'll insure. Both of those procedures would mean that less money would flow to VA and FHA loans and, to try to get this done, and he approved doing that. We wanted Fannie Mae [Federal National Mortgage Association] to reduce the price at which it bought mortgages to slow down housing construction. And I think the point here to really understand is the incredible depth and number of things--the incredible extent to which we went to try and control this flow of money into construction. It would be, I think, inconceivable that somebody would try to do that today. I think partly because we haven't had a president that's sophisticated. Partly also because the press would never understand stuff like this. Today it would immediately get leaked to the press and they'd have a better appreciation of the ramifications of the actions that were being taken. But his mind worked in such a way that he could instantly understand how, if you, for example, maintain the present holds, stop, held the interest rate on VA and FHA loans you could say, "Look we're not letting veterans' loans go any higher," or Federal Housing Administration loans. We're holding the interest rates on those loans. And it would be a while before the rest of the people would fully appreciate the fact that what that really meant was that less money--and therefore less construction, less pressure on capital spending--would go to veterans' loans or FHA loans.

Then we talked about setting up--trying to put--have some kind of voluntary guidelines to discourage plant expansion, and he okayed exploring that. The CEA [Council of Economic Advisers] wasn't for it; David Ginsburg was. We would require government contracts to certify that they were in compliance with the wage-price

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guidelines. And we asked for an okay to start exploring suspending the investment tax credit, to get him authority to suspend expenditure of some amount of money, which had been done during the Korean War, noting the caveat that Congress might cut spending, but that didn't happen. And then to look at the Davis-Bacon Act which pegged pay rates artificially high--

(Interruption)

--either doing or exploring everything we recommended. He was determined to do this. How the dinner for the businessmen got scheduled in this context, I don't know, but I do know that by the time, and I notice here then I send him a memo asking for a week's vacation. And then on March 23 . . . I end up with him I guess that night. We went to the funeral for Mrs. Celler [wife of Emanuel] in Brooklyn. It's interesting. He doesn't have me listed. I went up to that funeral with him. Maybe I wasn't on the chopper with him; maybe I was on the plane, but I remember that funeral very well.

G: Was it unusual for him to go to the funeral of a wife of a congressman?

C: Well, Celler was chairman of the House Judiciary Committee and we needed Celler on our civil rights legislation. We ultimately didn't get him. We'll get to that when we get to the Fair Housing Act, and then he, as I recall, quote, "got sick," unquote, when the bill was due on the floor, but we got it passed anyway.

It looks to me like a heavy day on the economy. I have many calls with him. I guess he had the judicial reception that night. I don't know, they show me going to the mansion. . . . There were just a lot of calls back and forth, but on this day he wanted me to call--have Fowler--we must have gotten the investment survey from the [Department of] Commerce and SEC and he wanted me to call Fowler and have Fowler talk to Bill

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Martin and tell Martin, point out that there was not up to the Edie Survey, although it was two billion dollars more than something, I don't know. Fowler thought investments were likely to be higher; we ought to be very careful about defense and space. I don't know if I--I guess this is all the President. This is all the President telling me to have Schultze find out what we can do with the Commerce Department. Can we do something with the Corps of Engineers? Can we do something with the states to get them to trim back, to have Schultze hold back as much as he can? Was Elmer Staats by now the comptroller general or was he still Schultze's deputy? Do you remember?

G: I don't know when he changed.

C: He wanted to move more stockpiles. He wanted me to get [inaudible] to introduce some bill. And I've got, "[Abraham] Ribicoff private tax amendment," something, "passed." It's all Johnson and this is-- President's telling me McNamara is up seven hundred million dollars in expenditures in March, that we've got to get the states to go slow, hold back 10 per cent. He's worried about New Jersey, California, and Texas. I can't . . . "deferral of contracts with the Corps of Engineers. Get them to hold back everything they can." We must have had trouble in . . . wanted me to get Oregon, Texas and Minnesota slowed down. I got a memo on March 24 from Douglas which reports on our taking many of these actions, which will help you when you--you've probably seen that already--when you put all that together.

Then here's what I mean by an Ackley zinger. This is a memo from Gardner to the President, subject: glass. "The major manufacturers of flat glass have announced price increases. As of this morning Pittsburgh Plate Glass had not moved. The president of Pittsburgh Plate Glass, Mr. David C. Hill, will be at your dinner tonight. Perhaps you

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could suggest he talk with us before he moves. I will do the same but your mentioning would help, too." I hate to tell you what happened to that poor bastard when he went through the receiving line. I don't know; I just can imagine. But Gardner knew how to do that. And here's [Robert] Kintner's announcement, "He will be taking his"--this is Kintner; the press is talking about Kintner--"he was taking substantial part of the work that Jack Valenti is doing with the cabinet and President and Joe Califano. They are dividing it and Mr. Kintner will assume that responsibility and relieve them for other work," for however many few weeks he lasted.

G: Did you ever figure out why he brought Kintner on?

C: Yes. I think I can tell you why I think he brought him on. I think Kintner was--he brought him on because he wanted to do better at television. The President would periodically talk about having to get the White House staff better organized, but I don't think he really wanted that, and he was the greatest cause of it being disorganized to the extent it was. But I think he really wanted help with television in every aspect: his own television appearances, what television was doing to us, how we could get more control over television or use it more for our own ends.

G: But he didn't want to say that to the press, in announcing Kintner's position?

C: No. Absolutely not. [In] any case, I return, I guess, on Sunday, April 4, (long pause) and he's had the dinner with the businessmen, he's made the plea for them to. . . . Well, he's made the plea to the mayors and to the businessmen to have voluntary restraint in their capital spending projects. And he gave it--as Larry Levinson says here--"He gave it to the cabinet in a much tougher way," and this is obviously the top of the agenda. I do tend to get off on this, but I remember Connor--I guess leather prices went up and we told

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Connor, "You've got to do something about it. You've just got to belt these guys who were selling high."

(Interruption)

--Connor that he really had to go after it. Leather prices were something we could do about, there was something we could do about it, because we could stop these guys from exporting hides and I'm sure--we have to go back and see--we ought to get the dates when he did this, what day he did it, because I mean it really was a big flap. There were a copy of the charges so he, at some point I'm sure, and they were attacked for war profiteering. He probably attacked them. I don't know where that came from but knowing in my own experiences with the President on that subject or what have you, and we ultimately, I have dim recollections but I have recollections of spending serious time with some of these cattle state congressmen trying to calm them down. We ultimately did calm them down. We ultimately did calm them down. We never lifted the export controls. He hung tough on that and--

G: Any congressman in particular that you remember?

C: I can't remember, but you might get the Lexis [Nexis] or maybe they see if they have clippings in the Library of this. I think the President took a kind of, "Hands off. That's my Secretary of Commerce going."

G: Was Connor reluctant to get involved in this?

C: Jack Connor was always reluctant to get involved in this stuff. Now whether in respect to this particular incident he was or not, I don't know. He is clearly somebody we've got to interview. Have we done the transporta[tion]--? He wanted me to call the businessmen or get others or split them up and call the businessmen from the business dinner and see

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what they were doing in response to his plea that they cut back on capital expenditures, and the President okayed that. He did--he obviously recast my letter. Was this the dinner in which he asked them whether they wanted a tax increase, too? Stick up their hands if they wanted a tax increase and nobody stuck their hands up?

G: I think it is.

C: Yes. Did you listen to the tape?

B: No, but he mentions it later on. It says, "I asked the businessmen March nineteen-sixty . . ."

C: Okay. And not a hand went up for a tax increase. So he asked them to do what they could to help forestall it and this was in the context of. . . . And I guess I sent it as a letter, and we started to get responses from people, some of whom committed for specific reductions, reducing capital expenditures, Tom Watson for example at IBM. And these were responses to him.

Then on April 11 [1966] we get word that the McGraw-Hill investment survey will show a 19 per cent increase. That's above the 16 per cent Commerce-SEC increase. And also that on that very same day Pan American is announcing that they're going to buy these jumbo commercial airliners, and we have a lot of investment news, and I suggest to the President to counter this heavy investment news coming o[ut]--we should put out responses of the companies to his request that they cut back on capital expenditures. Okay. And Johnson did ask me to have the SEC and Commerce do another survey basically to see if the businessmen were really going to do what they said they were going to do. And Connor reports to him that he's getting ready to--all right. Then the President, off of that, Connor's memo, and off of this, the President talks to me about getting a new

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study done fast, and he talks to me about also getting in touch with twenty-five or thirty companies from whom we have not yet heard, and. . . . [In] any case, at some point, I don't have the President's response to my memo that we leak this, but he approves that. Do we have the stories here? We had them.

G: Yes, I see some of them here. Hobart Rowan.

C: Oh, here they are. Okay. I guess on April . . . I must have done the leaking on April 14. Yes. Financial writers on--

G: Does it indicate who you talked to?

C: Well, obviously I gave Ed [Edwin] Dale the *Times*--I gave Bart Rowan a one-on-one and I gave Ed Dale of the *New York Times* a one-on-one, in the morning. And then I had Stanley Wilson, Al [Alan] Otten, Joe [Joseph] Slevin, Sterling Green, and John Pierson at five o'clock in the afternoon. The briefing went well, with things like the *Washington Post* saying, "This unique outpouring of business support for the Johnson administration signifies a renewal of the LBJ business honeymoon which was jarred last November in the fight over aluminum prices." And that, "This was the result of an unprecedented dinner meeting." And then we had down several [para]graphs into the story, "Presidential satisfaction may get a jolt today because the publication estimate of the business capital"--the McGraw survey doesn't reflect these. So we overran the--and we got a good story in the *Times*.

G: Was part of the strategy here to counter the impact of the McGraw-Hill survey?

C: Absolutely. And then also. . . . (long pause) [In] any case, we got a terrific precedent, terrific response. I recommended that we take no survey. I don't think we did take a special survey because we got worried that it would aggravate the hell out of people.

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G: You mean aggravate them in the sense that, doing the survey or--

C: Yes. God, he really was a master. (Long pause) Just remarkable. When he was on, he was really on. (Long pause) David Rockefeller came in banging away again, for a tax increase. (Long pause) I guess I tried to leak the General Motors a memo, I don't know. Whether the hundred million dollar reduction. . . . And then Manny Cohen came in and reported that basically in terms of his survey, the speech and the commitments of the businessmen had had, essentially, no impact.

G: How do you gauge the impact?

C: I guess my own view is that I think these guys genuinely held back from what they were otherwise going to do, but I think that there were so many pressures, so many other people that were going forward that overall the capital investment continued. And I think he made them more conscious of what he was trying to do. Secondly, and probably the most important thing, was he laid the groundwork for suspending the investment tax credit. Because he couldn't do it voluntarily having demonstrated that in March, April, May, and June and whenever we went September. By September we had no choice but to go for the investment tax credit, and that was very important. But I guess I just don't think people do things that they don't perceive as being in their own economic interest, but I don't think these guys lied in their letters. They may have puffed a little bit. And you get so overwhelmed by one of those shots of Johnson but you have here May 20, "You might be interested in the attached table which now shows that if you're tabulating the data on 869 of the companies in the February capital investment survey, we came out with a May capital investment survey projection of 18.6 million as compared to 18.5 million in February." So it wasn't--

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G: [Of] course, it may have diminished the increase, though . . .

C: I think there's no question. I guess I'm not saying it clearly enough. I think it probably did diminish the increase but those 150 guys are not-- There are a thousand people surveyed and I think where and I think they acted--I think he was effective in that sense, but I think over the whole of the whole problem the important thing was that here was a President--we're trying to do something voluntarily. We're trying to get them to do it. We're doing everything we can to avoid changing the tax laws so that by the time we come up to the investment tax credit we can say to Fowler and to business who are the two opponents, "Look, we tried, you guys. [There is] just no way to hold it." And some of those letters said there were areas in which they felt that capital investment continued to help them modernize and become more efficient and more competitive and reduce labor costs. And that kind of construction I doubt anybody cut back. But this was probably--I think the other thing it did for him was it kind of put him in the position of cooperating with business in a context in which we were going to war everyday on prices.

G: Did it also create pressures for him to get as active with regard to labor costs, that he was leaning on business as much as he was?

C: I think it certainly positioned him for--we have a lunch with the labor leaders, don't we, which that guy got up on the maritime. . . . Sure it did. It helped position him *vis-à-vis* the labor. I think that's--

G: Want to stop here?

C: Yes.

End of Tape 1 and Interview XLIV

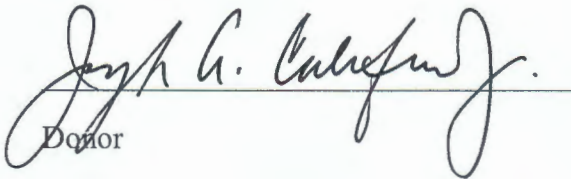
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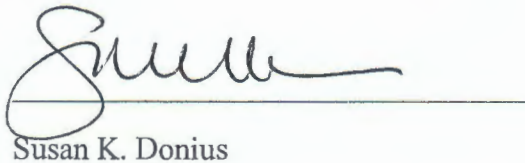
Joseph A. Califano

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

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