

INTERVIEW XLVI

DATE: May 24, 1989

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: We also felt a strong sense of obligation to go after labor because mostly we were beating up on people who were raising their prices. And the President was sensitive to that, and that may have been what ultimately led him to conclude that at least we should make some attempt to deal with this, with the situation in New Jersey. And it was very complicated because [Willard] Wirtz didn't like the guidelines to begin with. The only leverage we had were the highway funds. I got an opinion from [Nicholas] Katzenbach, who was then the attorney general, indicating that so long as we hadn't made contracts even though funds had been allocated to particular states, we could hold back the funds in effect by not making any contracts with the state.

We decided to have Wirtz threaten that, which he did in a news conference or radio or television broadcast, or what have you. We got a very adverse reaction to that politically. And that ultimately led to, at some point, [Bill] Moyers saying that the President was never contemplating anything like that. It was not just the adverse political reaction. We also came to the conclusion that that didn't give us enough leverage to turn

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back the wage increase, that holding back highway funds, unlike selling from the aluminum stockpile, was not in and of itself enough economic clout to roll back the wage increase. So it was a tool that would not necessarily achieve our objective.

G: What was the political pressure, do you recall?

C: I think the political pressure came from the governors from other states, from the Hill, for fear that we'd hold back highway funds in other states, because New Jersey happened to be getting a lot of publicity because of the White House interest and because it was next to the *New York Times* which was covering it. But I noticed in these steno pads we had a problem in Wisconsin, and the issue came up about what we were going to do there.

And the other problem which we really didn't--my recollection is we did not understand going in was the possibility that [Peter] Weber was a racketeer and was corrupt. He certainly ignored [Gardner] Ackley and anything the CEA [Council of Economic Advisers] sent him. He wouldn't even agree to meet with Wirtz until there had been some work done with an intermediary. And when I called Governor Hughes I notice here, who was then the governor of New Jersey--Richard Hughes--and running for re-election, to ask him to get involved, to try and get this damn contract rolled back or cut back, he said in running for re-election, he didn't want to get involved with Weber. That I do remember, that he didn't want to [get involved] because he thought Weber was a racketeer. And he had a reputation as a racketeer and he couldn't get in bed with him in a year in which he was up for re-election. So we had no help from the Governor.

And basically the arbitration panel, which became Wirtz and the labor guy for the state of New Jersey essentially, over an extended period--a little more extended than they wanted it--gave the union what they wanted, and just had no way of not doing that.

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Almost from the time--the fall out. We took flak in the press about not being able to deal with the construction unions, and in effect I think the President tried to put some distance between himself personally and the New Jersey situation. I don't know whether we had our flare-up with John Lindsay prior to that time or whether it came later in the subway settlement. Is that the end of 1965 or 1966?

B: You mean the year of the transit strike? That was early 1966.

C: So it was the end of 1965. They usually went out on New Years' Day. Have we done the New York Transit strike?

But we were a little burned. We were tempered in our ability in the power we had to get something done in this situation and it was very frustrating. By and large I think it's fair to say that labor was less "cooperative," in quotes, than business with respect to the wage-price guideposts. And I notice in there that Ackley notices the frustrations of labor because we weren't able to get their hard-core labor legislation passed, like repeal of 14(b) [of the Taft-Hartley Act], which was the statute that permitted the states to have open shops.

G: Why wouldn't you have had sufficient leverage if you withheld the highway funds? It would have shut down the highway construction.

C: It would have shut down highway construction in the state of New Jersey. Well, we got into other issues. That was not enough to get this guy Weber to roll back his contract settlement. Now whether it would have been enough to get a more responsible labor leader or construction labor leader, to do it or not, I don't know.

G: How did you know that it was not feasible . . . ? Informally, that was the advice you got there or--?

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C: It must have been from talking to Hughes and other people about what Weber would do. And we also at the same time had--there were issues about the unfairness of innocent people being hurt or not getting the highways built. Although I find nothing in the notes to justify this, it's not out of the question that we were also sensitive to the fact [that] we wanted Dick Hughes re-elected and we didn't want to create any problems for him in terms of getting re-elected. And that may or may not have come into the President's calculation on this. But I guess it's also--it may not be fair to judge it from this case, because of the kind of person Weber was and the fact that he obviously did not give a damn. But it may be that in his gut the President was less willing to go toe to toe with labor than he was to go toe to toe with business, that labor was still important. It was important. They were a very important ally in terms of the Great Society programs. We were very conscious of--I was and the President may have helped make me conscious of it--of the fact that the poverty program in particular, but many of these other programs and the civil rights laws were ultimately going to bite labor, and we needed them while we had them. I think just his history--labor had been his ally from [the] time he went into the House [of Representatives], that he wasn't going to take them on the way he took business on. It just wasn't in his gut to take them on.

G: In retrospect was there another way to deal with this issue?

C: I think perhaps we didn't have the choice but we would have to have dealt with this issue with someone other than this particular labor leader. Maybe if we had done it in another state, like Wisconsin, and done it with somebody that had some sense of responsibility. Secondly, with a labor leader like this, we couldn't even get any help from [George] Meany. You have to realize that, that Meany himself was not about to take on somebody

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like this. And that--as I said I think labor by and large was more intransigent than business was on any of these issues. They had a great sense of having--they thought they had the upper hand in Washington. What they really had in many respects was a kind of veto power. They were much more sophisticated than business was in those days about Washington, and about how to deal in Washington. They'd gotten all their power out of Congress in the New Deal and the labor laws that were passed, and so they had a better feel for it. But I think, yes, in retrospect we probably shouldn't have taken this fight on. At the time I guess we thought we didn't have any choice. We couldn't let a 7, 9, 11 per cent increase--whatever it was--go forward on the labor side without a fight at a time when we were not only quarreling with business constantly over price increases, but we were particularly focused on capital investment, and asking these guys to hold back their investment. We were holding back government spending.

Now could we have done it tactically a little different? I don't know. Maybe we could have just withheld the highway funds, just not given them any for an extended period of time, and seen what would have happened. But we did not--that idea, as I looked at my notes here, rose to the top. We used it, we floated it, and then for some reason the President wanted it blown out of the water pretty fast after he floated it. I also think--[Robert] McNamara in part I'm sure because of the business background he came from and because he was having so many fights with businessmen--maybe in his heart of hearts, if you could get to it, win, lose or draw, wanted us to have a fight with a labor union and even if we lost be able to say, "At least we'd really gone to the mat with them. We hadn't rolled over." And we'd have that in future. I may have had a little of that. But I recall the President being frustrated at this, but I don't have a sense--and it may just be

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my lack of recollection--I don't have the kind of sense of profound involvement as he had on aluminum and copper and some of these other things, where we really--the stockpiles, capital investment with business. I don't have the sense of him putting his hands all over it and doing that, although we obviously met several times about it. And it may just be that there were so many other things happening that I my recollection is just not good on this.

G: Okay. Any indication that this led to other wage increases?

C: My recollection is that just because--well, one, we had no impact on the construction labor arena after this, and we didn't try again in that area. It may have had an impact in the fact that more responsible labor leaders, labor leaders not as allegedly involved in racketeering, might have been a little more responsible for fear that we might land on them. I don't know. But I have no sense, no heavy recollection, of moving on this. And [David] Ginsburg and--the other thing, everybody wanted us to do something about the Davis-Bacon Act, which in effect--I forget how--significantly increased the cost of the government constructing anything. We never made any--I think if we go through the legislative programs, as we go through them we'll see suggestions in every year, none of which we ever put forward to the Congress.

And you know, as the war went on you've got to remember that Meany and Lane Kirkland and the AFL-CIO were staunch allies of the President on the war. And they were staunch allies of the President on the Great Society programs, and there were damn few people like that by 1968. So over time our stomach for fights with labor probably went down and not up.

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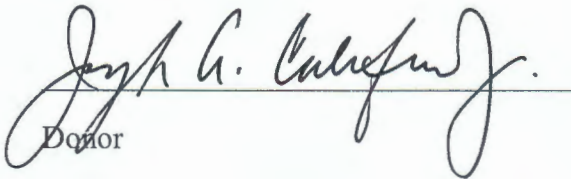
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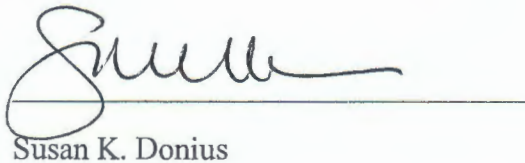
Joseph A. Califano

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

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