INTERVIEW LVII

DATE: December 12, 1989

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

INTERVIEWER: Michael L. Gillette

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

Tape 1 of 1, Side 1

C: --in connection with the surcharge.

G: This is a meeting with Wilbur Mills.

C: Wilbur Mills and the President. This is a meeting with Wilbur Mills and the President and myself, in the President's office, in the Oval Office as I recall. It was in connection with Mills' pressing for some restriction on spending as part of getting the [tax] surcharge. Basically [he] wanted to put some controls on domestic spending. In the course of the meeting the President and Mills got into a spirited argument about welfare, and Wilbur said that he thought the welfare program was designed to encourage people to have more children because you got more money with every child. And he talked about some woman that lived in the town his mother lived in and every year had another baby, and [she] was just outraging his mother and the town that every year she got more welfare money. And Johnson in a very spirited way disagreed with Mills on this, which was--normally he would just sort of nod and listen, let the conversation go on, whatever he thought. But he came in hard and disagreed with him.

G: What did he say?

C: I can't remember, but I just remember quite a disagreement about--back on the theory of we're not going to fight the war on the backs of the poor people. It was back on that theme.

(Interruption)

With respect to the truth-in-lending legislation, we had proposed it in 1966. We could not get it out of committee in the Senate because of the fact that Robertson essentially--Senator [A. Willis] Robertson--wanted a gutted bill, and Paul Douglas on the other side wanted a bill that was much beyond what even we wanted. And he thought our bill was too weak.

When they lost their re-election campaigns in 1966, when we were going over the legislative program for 1967, in late 1966, the President said that we were going to make truth-in-lending a major bill because we could roll it out of the Senate now, with [William] Proxmire, who would be more reasonable, and we'd get our bill out. And we did, but I remember him talking about that at the Ranch as well.

(Interruption)

The election in 1966--do we have the book?

B: I think so.

C: The election in 1966 in which we lost how many seats? I forget. We lost forty, fifty, sixty seats [forty-seven].

B: Is this it? Not that, but maybe this--these are the two things right here.

C: In any case, we were deeply concerned about the change in Congress, because in the House we had had not just a Democratic majority in the 89th Congress, but a liberal

majority. And with the new House, as Henry Wilson's memo of November 22 indicates, we were faced with a continued Democratic majority but we no longer had the luxury of a liberal majority.

Secondly, we were concerned about credibility, what was becoming known, I think, by then as the "credibility gap." If there are some clippings on that--there was a lot of stuff written about that, about the President's credibility gap. Part of that was just him cutting a corner here or there, but part of it came from the way we were funding the Vietnam War, assuming it would end at the end of the year as we did in 1964, 1965, 1966. As it turned out in this budget, because of the tax increase and everything else, we assumed the war would continue, for the first time. And that was creating a problem, and just the inability to predict what would happen in Vietnam, the lack of success of our programs, the constant need for more men.

The third thing was a problem that we faced on the domestic side. In order to get our programs passed, we had to put them forth in the strongest possible and best possible light. So the Demonstration Cities program was to rebuild entire neighborhoods and make them gleaming jewels. And we had to give people a sense of dreams that could be fulfilled: children educated, health care for all the elderly, air cleaned, water cleaned, and what have you. And the over-arching thing of the War on Poverty, and the President repeatedly saying, "We're going to end poverty; we're going to end poverty." And the reality of the difficulty of doing that [was], one, it was more difficult than we thought it would be, but, two, these gleaming ideals--pass this law and we'll go deal with this problem--came upon the harsh reality that it couldn't be dealt with in a month or a week. The President would lay out the program--if you just take Demonstration Cities--he'd lay

out the program in the winter of 1966, Congress would pass it at the end of the year, the cities would come in with their proposals and they'd be evaluated and that would take another year. So it was three years before they started getting any serious money; it was just built into the system. Those delays created a serious credibility problem, one which, incidentally, I'm not sure there was any way to deal with. The others there were ways to deal with.

The other thing was we were faced with the need for higher taxes, which really puts a political damper on everything. Nobody on Capitol Hill wants higher taxes. None of them want to vote for it; it gets people angry. It takes an enormous push to achieve something like that. And we were in the position of having to push for that. And all of those things--well, finally I think the Vietnam War was beginning to bite. We were beginning to feel really pinched by it. I don't mean financially pinched; I believe to this day, as the President said, and as [Gardner] Ackley and [Arthur] Okun believed, we had the money to do both. The issue was the will and the spirit. And the war, politically in the Congress, began to bite us with the liberals. The conservatives didn't think we were pursuing it aggressively enough; bomb more, do more, get it over with. The liberals at this point were beginning, I think, to think we shouldn't pursue it at all. So we had the conservatives fighting our liberal programs, the Great Society, and the liberal Democrats fighting our appropriations for the war. We had a very testy situation, all against the backdrop of having lost a substantial number of seats in 1966.

Finally, we had the racial problem, on which, from Johnson's point of view, there was no give. He was doing there, and he was doing in Vietnam, I believe, what he thought was right. And the racial problem hurt us; it was hurting the Democratic Party

deeply. He knew that, but he wasn't going to give anything on that. So all of that created this mood, which was not the happiest mood in the world, as we went into the State of the Union, and it created all these questions about what kind of a message we should send forward.

G: When you were preparing this message, did you get a sense that the needs for Vietnam were cutting into the Great Society needs? You said that you had the money, but--

C: Well, I think what was happening was--the needs for Vietnam--in an objective economic sense, we could do both. We had the money to do both. And the point of the tax increase was that we would take from the "haves" to support that. The alternative of cutting the programs for poor people would be to take from the poor to pay for the war, and we just didn't really consider that sound public policy, or indeed even moral public policy. Vietnam was cutting in because as we get further into the year, the price for a tax increase was--in the world of Capitol Hill, they would pay for taxes to fight a war; they wouldn't pay more taxes for black people or poor people. That created the problem.

It also drove us to other--you have to recognize, moving people out of poverty was not [easy]. Not all the people were people that we were going to make healthier and better educated and go to work. Some of them were incapable of being able to get out of poverty by education or health care or anything. Old people were one of those; disabled people were one of those. And that accounted for the proposal to establish a minimum Social Security payment. That hundred dollars a month and the 20 per cent increase in Social Security--I don't remember the numbers, but I think I have them in other connections--I think it lifted about two and a half million people out of poverty. Bingo, above the poverty line. [That's] a remarkable achievement, incidentally, in the context of

everything else we faced. So we kept driving on that stuff wherever we could.

But in any case, the war was dragging on longer than anyone thought it would, and it was hurting; it was beginning to hurt. The biggest reason for that cloud over us, though, I think was the fact that we lost so many seats in the House. The President was starting to get beat up in the press on credibility, and he was--as you can even see there, with all we're doing for blacks, there was no way to do enough fast enough. You had Martin Luther King wondering whether the message is strong enough, and Cliff Alexander, who was a black aide on the White House staff, calling--the President having Cliff call King and saying, "Wait a minute."

G: Was there also a concern that the Great Society programs were not being administered--?

C: Well, I was worried about the administration of the Great Society programs. And I was concerned that we were not running them as efficiently as we could. OEO [Office of Economic Opportunity] was the particular concern, because it was very poorly administered. [Sargent] Shriver was a great speaker and a charismatic guy, and he was a disastrous administrator. Ultimately, I guess when we get into 1968, we put Bert Harding in there at some point, a former deputy IRS [Internal Revenue Service] commissioner, to really try and run the OEO program. Part of that, as I think I indicated somewhere here, I thought part of it was organization and we kept chipping away at that, but part of it was just people. We needed better and better people. As I learned when I went to HEW [Department of Health, Education, and Welfare] myself in 1977, we really needed political managers. We didn't need dreamers; we didn't need ideas; we didn't economists; we needed people that understood political management.

The other piece of it was--and some of this is reflected in the State of the Union

Message--we were greatly concerned about the states and the cities. We had really treated the states with total lack of trust, and that sprung, I think, from the civil rights fights. We just did not trust them to enforce the civil rights laws. They never had; it took federal prodding to achieve that. The other thing was, the states and the cities were--we viewed them as kind of arcane. They weren't organized; they weren't prepared for this influx of programs, either mechanically and administratively, or politically. We used to joke; we'd say they had old Underwood typewriters; they didn't even have IBM electrics and all that stuff. They certainly didn't have modern--the age of the computer had not yet arrived, but they didn't have modern processing equipment. They weren't capable--you go into the statehouse offices, they were just not remotely comparable to what we had in Washington.

The second thing was politically the way they were organized. Most of these programs required some state funding. Sometimes it was just state funding to run them; sometimes, like Medicaid and the welfare program, it was matching programs, or community health, it was matching programs. And the state legislatures weren't equipped; they weren't on our cycle. We were rolling these things out, and they'd meet either every other year, or being a state legislator was a part-time job. And we were changing the whole federal/state system in this country. I'm not sure it was appreciated at the time, but being a state legislator now is essentially a full-time job in most states in this country. It's a big job. You meet a long time. You've got to meet every year. You've got to be ready to respond to the federal government. And it wasn't like that when Johnson became president. The Great Society changed state government. So that part of our ability to administer--and that's why we put this stuff in the State of the Union Message

about state and local government getting up to speed.

And I think we were worried--the President was always worried that on the administration of the programs that somehow we would have corruption somewhere or we'd waste money. And that's what would kill you. That we had the better side of the argument on the substance. We had the better side of the argument on what was right, what would help people, what wouldn't. We could win arguments or compromise arguments on whether this is the best way to do it or you should do something else or what have you. But what would really blow us out of the water would be if guys started ripping off federal money or if we just wasted federal money; that would kill us. So he was conscious about that all the time and worried about it. He'd harp back to his days as a National Youth administrator.

G: Were there things from your experience the previous year that caused you to approach this State of the Union Message differently?

C: Well, I just never wanted to go through a State of the Union as we had the year before. It was so chaotic and so disorganized. And the answer is, yes, and that was that we would have one person write it--in this case it was going to be [Bill] Moyers and [Harry] McPherson, to a greater degree than these papers show--and that we were going to get stuff to the President early and get him to respond, and not go through a day like the day [Jack] Valenti and I went through the last time, the day of the State of the Union.

The other thing was that the President was still consumed with secrecy. He was particularly sensitive about any of the hotter proposals--the proposal that was stillborn, but I think to this day is right on the merits, for one Department of Commerce and Labor. All you have to do is look at the what the Japanese are doing to us. So that the only

people that would see that would be [Willard] Wirtz and--first of all, this time, there was no circulation of the State of the Union to the cabinet. They had to come to my office to read it on the day before. That was the first time they saw it. And I went through with cabinet officer by cabinet officer with them.

[Larry] Levinson went over it with [Charles] Schultze and Ackley, and went through the whole message to make sure everything was correct, numbers were right and what have you. Even with the cabinet officers, the only person that saw the fiscal policy section, the tax proposals, was [Henry] Joe Fowler, no other cabinet officer. I took it out for the others. The only people that saw the Department of Commerce and Labor section were Wirtz and [John] Connor. I took that out for the others. So it was really quite an extraordinary--and that was all done because the President wanted no leaks on this stuff. And there were no leaks. You could get a sense of the impact of the message if you look at the newspaper stories on the stock market. I mean, the biggest volume in many, many years, and a tremendous drop and then a tremendous surge. People were just stunned and surprised by the message.

But in that sense it was more orderly. And it got more orderly. When we get to the next one, the following year, I think Bill was gone; Harry was the key writer of the message. But we got better and better at it.

G: What was LBJ's role in the process in the 1967--?

C: Well, he ultimately decided he wanted a long message and not a short message, and he ultimately decided he wanted a message that was programmatic. And what's fascinating is--because when I look at these stories, because the press didn't expect a programmatic message, they seemed to write stories that said there weren't programs. But there was the

Safe Streets; Truth-in-Lending was old, but the Public Broadcasting [was new]. There were many programs in that message, the Social Security kick. I think that's the basic decision he made, and the other decision he made was to continue the guns and butter, to continue with the Great Society. He made the basic fiscal decisions to go with the tax increase, although, even there you can see, with the letter from [John Kenneth] Galbraith saying, "Go for a tax increase," with Arthur Burns saying, "Don't go for a tax increase," with the economy seeming to slow down a little bit, it was a very difficult call. We put it in, but we really didn't go for it until we were a few months down the road.

In hindsight people can say, "You should have gone for a tax increase sooner," but all you have to do is look at Jerry [Gerald] Ford and [Everett] Dirksen saying we didn't make the case on the night of the State of the Union. He made all those basic decisions and he had--I don't know who picked the five Ps [programs, partnerships, priorities, prosperity, peace]. It sounds to me like the kind of thing Levinson would come up with under some pressure from the President. I mean to say, "Let's get something pithy," or this or that.

I think we've got to cut.

End of Tape 1 of 1 and Interview LVII

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Joseph A. Califano

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

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Joseph A. Califano Jr. — Donor

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