INTERVIEW II

DATE: January l6, l986

INTERVIEWEE: WILLIAM D. CAREY

INTERVIEWER: Janet Kerr-Tener

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

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K: In the first interview session you suggested that the Johnson White House used the task force operation to wrest control of the domestic policy formulation process away from cabinet heads. Do you really feel--?

C: Not so much cabinet heads. No. No. If I said that, I misspoke. To wrest policy making away from the centers, the hardened, atrophied, petrified centers, of intellectual habit that infested the departments and over which the cabinet officers had no real effective control.

K: Yes. Do you have any sense of what the reaction was at the agency or department level when the task force operation was--?

C: Well, I can give you some general recollections of it. For the most part, they were rather apprehensive. They felt that strange things were happening in the skies beyond their view, that there was a somewhat wild-card type of game being played with their policy pastures over which they had no influence, so to speak. They felt that they were being told rather than consulted.

You know, I don't want to say that this was uniform. I think that in all of these establishments there were people who welcomed the activity and its possibilities, who felt

that their provinces would enjoy some unexpected good fortune, but they also, in general, I think, felt that they were the experts, their predilections should be taken into account, and that certainly the feasibility and impact of task force propositions ought to be checked through them and graded. And that goes also in a number of cases a certain amount of leaking of information out of the task force system, in spite of everything the White House did to impose confidentiality and an embargo.

And in some cases, the truth of the matter was that whatever was leaked had some consequences for the bureaucracies, but it wasn't necessarily so because the task forces had a wide range of people on them. They argued constantly and very vigorously among themselves, and shaking out any consistency or homogeneity of policy strategy really was up to the White House and the Bureau of the Budget in the final analysis. But because fragments--fragmentary leaks did dribble out--they came from one field of opinion or another, both of which were in opposition to each other--this created a great deal of confusion, misinformation, and disinformation. I think it was not a very pleasant experience for people in the agencies, not only because their egos were wounded, but because they had no real idea as to where things were going to be coming out.

K: Yes. So did this essentially put the--I hate to use the word bureaucrats--in the position of reacting to policy initiatives that were dripping down as opposed to sending things up as they started in the agencies?

C: Well, yes. The agencies indeed had floated up all of the conventional thinking that had been going on for years. It really went nowhere, but it was there. And then what began to shower down was not feedback to what the built-in bureaucracies had proposed but,

instead, wholly new merchandise, intellectual merchandise, with almost no surrounding analysis [or] data. It was very, very raw stuff because of the nature of the brainstorming that was going on. You got essays; you got arguments; you got polemics; you got dreams, and they typically were very thin in terms of information, assumptions, analysis on which the typical administrative or bureaucratic policy analysis could be exercised.

K: So it wasn't just a question of substance but also the form that was so disconcerting?

C: I think that's right. I think that's right.

K: Did the task force operation affect the role of the Budget Bureau or change it in any way?

C: It certainly did not change it. What it--I think I probably said the last time--it threw off-balance the processes, the disciplines, of the message-writing, budget preparation, legislative planning cycles on which the system was constructed. We never really knew what inning it was or what down was being played, and, as the deadlines drew near for meeting statutory requirements for submitting messages, the time tended to run out, and the quality of the homework that we had to do for the president tended to suffer. We played it on the wing, and to that extent it threw us out of gear. But, on the other hand, I think the task force process was a plus for the Budget Bureau in that the White House could not possibly have staffed out these forty or fifty creative enterprises without involving the expertise, if you will, and the professionalism of the Budget Bureau. So in that sense, we were integrated into the very nervous center of this whole process. That was a plus. And the other problems we tended to complain about and simply suffer because we couldn't do anything about them.

K: Well, did this mean being plugged in, I guess in part, through the executive secretaries that were appointed from the--?

C: Yes, well, they were the link--they were the links in the chain, but what they did was to come back and give the feedback, the latest play called from the bench, so to speak; they'd feed that right into the professional staffs for education or housing or urban affairs or whatever it might have been. So the coupling, I think, was okay, was all right. People were not left out unless one could say that the administrative and organizational problems associated with many of these ideas tended to bypass our organization and administrative people, that sector of the Bureau of the Budget. And they would catch glimpses of all of this whizzing-by and raise plaintive and sometimes very urgent questions as to how in the hell we were going to run these programs if they were enacted, and what the structural difficulties might be and [what] the operating architecture should be, how the accountability was going to be seen to. And they were right. There was no question about it, and there, I think, the system was seriously short-circuited.

K: Would I be oversimplifying to say that as a result of the Bureau's role in the task force process that the Bureau started doing--had a greater role in policy formulation as opposed to policy analysis? Was there an increase in--?

C: No.

K: Okay.

C: No. I would say the policy initiative was predominantly in the hands of the White House, and the task forces, the analysis, the reaction, the mediation, was retained and strengthened, I think.

K: Okay.

C: So we lost something, but--well, I don't know that we ever lost it. I don't think we'd ever imagined that we were the fountainheads for policy initiative.

K: Well, it's been suggested in a couple of studies that have been done, at least on the education side of the Great Society, that William Cannon, among others, were--acted as policy entrepreneurs within the Bureau and [inaudible].

C: Oh, that's true. Well, that is very, very true. That characteristic does describe Bill. He, I think, visualized himself and his staff as people who indeed were trying to improve the quality of government and to score more direct hits on the social problems that were out there, and they tended to be very impatient with the rituals of departmental operation and statutory prescription, and they thought that there were better ways to do it, that government should be lighter on its feet, and, to that degree, the comment is accurate. It wasn't consistently done that way through the Bureau of the Budget.

I think that in the case of Cannon the task forces that he was tied into came to respect his inputs to their thinking. He was not a silent note-taker on a back bench. And yet his behavior, which I think was fine, was not, I think, the general behavior of the Bureau staff. It depended very, very much on how the chairman of a particular task force worked, what that chairman's opinion was of the Budget Bureau delegate, so to speak. If the chairman knew that person well, had interacted intellectually with him, or her, before, and realized that the person had a great deal to bring to the game, then that chairman would involve the Budget Bureau person in the act. On the other hand, if another chairman came in and came with the general attitude that the Budget Bureau was the president's naysayer

and obstruction and a congenital doubter, critic, and cynic, then that chairman would be very likely to wince every time the Budget man came in. So it all--you can't generalize. It worked out in different ways. But those human considerations and comfort levels and confidence level all played a part.

K: What kind of a working relationship did Budget officers have with the leadership of HEW during all this? So many of the programs that were being designed were being implemented through HEW.

C: Well, I would say that they were very good. HEW respected the Budget Bureau people. We tended to be very open with them. We had to carry bad news to them like we did to every other department, but we felt, particularly when Gardner and Cohen were the secretaries, that the departments were in very good hands. We might have some trouble down the line with the Director of the National Institutes of Health or whatever it might be, but those were ongoing small wars that did not impair the very good relationships with the secretary.

I can recall--I suppose it's not important, but I can recall when John Gardner announced that he was leaving, he was retiring from the Cabinet, we felt very down about it, and I was astonished one morning just before he cleared his desk and left to have a small parcel arrive on my desk, and I opened it up, and it was a jewelry case, and inside it were a pair of men's gold cuff links with the seal of the Secretary of HEW and on the margin on the rear--on the reverse side of the cuff links were my initials and Gardner's initials, and on the rim of each of the cuff links was inscribed the word "Excellence." And I wasn't the

only person to whom he paid that compliment, but it has some significance in terms of the question you just asked.

K: Yes. Well, when there were disputes over funding between HEW and the bureau, how were they ironed out? Did the White House get involved in it or was--?

C: Well, it would depend on what the dispute was all about. If it were the typical dispute about money, about appropriation levels, budget allowances, that was usually an engagement that the senior division head or assistant director, [inaudible] my own case, would take on with the comptroller, assistant secretaries, NIH directors, whatever of the department. And there would be a formal letter of protest from the Secretary to the Budget Director. The letter would come to me. The Director would give the Secretary an audience, hear the argument, flanked by all of his high brass and the Secretary's high brass. We would, in turn, respond with our own concerns. The meeting would break up so that the next appellant could come in. We would adjourn to--usually to my office or conference room and see what we could negotiate. If it were a legislative matter, a difference over the terms of legislation, the Program Division normally would have somewhat of a secondary involvement with the primary--with the leadership on the question handled by our Legislative Reference Office, which always worked closely with the domestic staff at the White House.

K: Who headed that?

C: Hmm?

K: Who headed that office?

C: In the Bureau of the Budget?

K: Yes.

C: It would have been Roger Jones, or it would have been Sam Hughes. After that, it probably would have been Jim Fry. I'm just not clear at the particular time which of these officers really were there, but that's about right, and their officer was also a career officer like I was until I went up and out of the system, out of the career service, and they had the responsibility for communicating with the agency the policy of the President, so to speak, relative to legislation. We would participate actively in those back-and-forth negotiations, but the lead was in the legislative area. For an organizational matter, again, the division would be responsible, the program staff, along with the staff of the Office of Organizational Management. It's awfully hard to say. It would depend very much on what the nature of it was all about. When it came to the matter of strategics, high-profile presidential messages, then it would be the appropriate assistant director, the director, the Legislative Reference Office, and, of course, Joe Califano's people, and the President booming at all stages and having his input. It doesn't sound tidy, and it certainly wasn't.

K: In 1966, or if it was before that, when it became apparent to the Budget Bureau that the White House was cranking out new program ideas on a scale much greater than the budget could possibly accommodate, was HEW also aware of this? You said that the Budget Bureau tried to tell Califano that there just wasn't going to be money for all of his new programs. Was HEW also aware of it?

C: Oh, they were very well aware of it, and the game then turned out to be--that from the department's point of view, and with some encouragement, I think, from the White House staff--to somehow put enough gasoline into the tank to drive the new program into its initial

stages, and we'd worry about the out years when we got to the out years. This was a nightmare that we had to live with all the time, and it never worried the department because the department figured that these programs would catch on, they'd develop a political constituency and a congressional support phenomenon, and that was fine with them; some other agency's budget could be cut to make room. And this is the way the whole government system works. You fight for your own objectives and figure that some other part of the government will make up the difference in the budget, and that historic state of mind is not going to change. You don't see it today, either.

K: You weren't aware that Gardner or Cohen or anyone else with access to the White House was trying to pull the reins in on this task force operation?

C: No. Oh no. Oh no.

K: Okay. In his oral history at the LBJ Library, James Gaither tells about one little incident you might have had a role in. He said it took place in January--the first few days of January l967, that he and Califano received a printed budget document, and it was only at that point that they realized that there was not nearly enough money in the budget to fund all the programs that the White House wanted to fund. And he said what followed from that was a--what he called a loud six- or eight-hour meeting with Califano and Schultze and some others in an attempt to salvage key elements of the program, the President's program, in time to adjust the State of the Union address and other messages to Congress. How could that have happened?

C: Well, I can understand how it could have happened. I don't recall the explicit circumstances, so I'm speculating--I'm having to speculate with you. Part of it would

happen because decisions would be left open, still under negotiation, right up to the printing deadline, and there was a tyranny involved. We didn't operate with computers in those days. There was a lot of manual work. There were quote "green sheets" unquote. I still dream of green sheets. There were expenditure analysis disciplines that had to go on. Chapters of the printed budget were in different stages of maturation, some of them completely finished, others still open. A half-crazed assistant director for budget review pleading with the Director, "For God's sake, get this settled! I've got to go to print! This message takes so many hours and days to get it printed, folded, bound, delivered. You've got to move!"

Well, this type of argument made no impression at all on the principal actors in the drama, of course, and pieces of decisions would then come in, and the director or somebody would grab a telephone and call Budget Review and say, "Such-and-such is what we've worked out," and then they'd try to crank that in, and when it would become clear that the incrementalism of all of this under the stress of closing up the message and making the book match the message, it just became impossible to get it all done and to have it come out the way in a more rational and orderly system it might have come out.

Now, I can see for example that the President was telling the Budget Director how much of a net deficit he was going to live with and saying, "Charlie, you keep it under that number, you hear? Goddamn it!" And Charlie would say, "Well, I've got it, Mr. President, but do you want to do this now?" "I told you what to do on the budget!" So you had that constraint. On the other hand, you had the political people, strategy people, around the President feeling a certain shock when they saw how the Budget Bureau had to carry out

the President's words, and what they were worried about was a credibility gap. To hear them, the State of the Union message was going to look, you know, like a Tiffany's catalog, with beautiful goods for everybody, and then, when the reporters took a look at the message, they'd say "Uh-oh! This is peanuts! This isn't going to accomplish this goal or that goal," and they figured that their problem of defending the President would be next to impossible. And I think that's the kind of situation that we must have had that Jim remembers so well. I don't recall at this distance whether I was at that meeting that he speaks of. I could well have been; I had so many of the domestic programs.

And neither do I recall what kind of magic we may have worked, whether somehow at the last minute some tinkering--some games might have been played with some of the projections on entitlements on the mandatory programs or farm subsidies, where you were guessing at the weather, and you might have made a little bit more optimistic guess than three months later you could live with. Those games did go on. They still go on, and it is possible, although I don't know--

K: One--

C: --that we might have fattened up some of the budget authority numbers without inflating expenditure numbers for HEW and some of the other civil agencies while taking in--if not bleeding--some indignant but knowledgeable agricultural examiners' estimates of what the crop yield and the subsidy bill was going to be. But that would have been about all the discretion the Budget Director would have made. He still had to make the President's target, or he'd be out.

K: At least one scholar speculated, again discussing education, that this particular problem arose because of the unwieldy task force operation, that it got so big, and there were proposals flying in every direction, and that no one really knew--no one at the White House was keeping a running tally of what the final bill was going to be. He suggests--

C: Oh, I think that's right. I may have said much of the same to you when we last met. That was the situation. We found out at one point that the White House had lost count of the number of task forces. There were over fifty or something like sixty by our count, and they were not keeping score in the White House, and we were having a terrible time trying to do it, and nobody really knew. It was the ideas that the President wanted, and he just assumed that the serfs would get it all worked out and still stay within his budget deficit target, and the system simply couldn't handle all the confusion.

K: What finally prompted LBJ to propose his tax increase in January of 1968?

C: Well, I think as much as anything he did it because he was isolated in his own administration and isolated as well from the--particularly the Southern element in the Congress, which held the seniority positions on Budget and Ways and Means, and they could do homework just like we could do homework, and the spectacle of what was going to happen in an inflation-driven economy carried such bad news that he was finally prevailed on, much against his own wishes, to put it in. He was a very political man, and the only thing that would ever persuade him to come to a decision was the political reality, and in order--if he were, as well may have been the case, and I seem to remember that it was--that he was being told that his legislative program was going to be stalled if he didn't move on taxes, then that's the kind of a trade-off that he would understand. And that, I

think, is about as close as I can come to an answer. He was under great pressure from his own secretary of the treasury; he was under pressure from his counsel of economic advisors; and he was under pressure from his budget director. That's a lot of inside pressure, and combine that with what he was getting undoubtedly from Wilbur Mills and others at the [inaudible].

K: One last question--

C: I don't know that the Wall Street point of view particularly would have been significant to him. I don't think it would have had a minor [major?] part in that solution.

K: I have one last question for you and that is, in your opinion, how well thought out were the Great Society education programs--the Elementary and Secondary Education Act, which funneled funds to school districts for poor children, the Higher Education Act which provided grants for underprivileged high school students to go on to college, and those things? Was there really--?

C: Well, what was going on--let's see how I can put this to you. There were half a dozen competing policy drives and ideologies in effect at the time of all of these education decisions. On the one hand, you had the NEA, which above all else wanted to protect the ongoing public education system. From another quarter, you had the social thinkers who were deeply troubled by the disadvantages in learning experienced by the rural poor and the urban poor, and they saw education as the only way out for these populations. They saw inertia in the state and local education establishments to do anything about these groups, these particular groups. They saw deficiencies in such things as counseling, deficiencies in

responding to innovative ideas about learning and teaching and instruction and educational environment and so forth.

And you had the conservative--not necessarily educational sector but the conservative sector of the society in a posture of defiance when it came to compromising the autonomy of states where public education was concerned. You had still a fourth cluster concerned with both public and non-public colleges and universities, who very much wanted either general financial assistance from the federal government for higher education, or, on the other hand as a fallback, grants--educational assistance grants--to students who could choose their own institution.

You had all of this milling about in great confusion. The pressure groups were converging on HEW. Most of these same pressure groups, in one way or another--at least these opinions were reflected in the makeup of the task forces. The noise was very, very high. The intensity of the Budget Bureau's involvement with the education task force was especially high. It almost reached the point where the White House domestic staff couldn't cope, couldn't rationalize, couldn't mediate, couldn't sort out, and, in effect, they would turn to us and say, "Look, find out as best you can. Tell us, as best you can, where to go here. The President has got to have--he's committed to a revival of educational quality. He wants very much to equalize educational opportunity, particularly for the disadvantaged, handicapped, minorities, rural, urban, inner-city. Well, what do you do?" So, the way I remember it, we said, "There's no way that Congress is going to agree to general federal assistance to elementary and secondary education across the board."

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C: "There's no way that Congress is going to agree with the NEA people, for example, or some other groups, interest groups, to a lot of federal conditions and requirements of the kind that usually accompany categorical grants-in-aid. We've got problems. What does make sense?" Well, what does make sense were, we thought, assistance grants to make affordable college educations for the groups who typically were left out, but they would be direct loans or grants, depending on what the formula might turn out to be. What does make sense, we thought, was an Elementary and Secondary Education Act that earmarked funds for remedial programs and enrichment in inner-city schools and poor rural schools. What made sense were programs to provide better educational opportunity for physically handicapped youngsters. What made sense would be supplementary education centers. Here the idea, if I remember it, was to create a kind of an educational service type of institution, probably linked to a university, to network services particularly to the poor urban schools, poor rural schools, to provide additionality that the school systems either couldn't raise the taxes to support or gave a lower priority to.

We thought that the innovation question relative to upgrading tools of learning and teaching--something had to be done about innovation. We thought, "Well, why don't we have a trial system or pilot system of education, research, and development laboratories or centers?" Sprinkle them around. Involve local schools and teachers and so forth in experimental activity, and let, you know, their successes be emulated and travel through the system. In other words, I think what we did--said in the Budget Bureau was, "Don't try to do the whole thing. Don't try to take over an enormous, variable, highly politicized universe of elementary and secondary education, which there's no way that the federal

government can cope with. Go for some interventions in reasonably non-controversial areas, and avoid wasting tremendous amounts of money, in effect, trying to bribe the school districts or states to do what they wouldn't do and didn't know how to do and never would." And I think that's the way the architecture of that developed, and it was very largely suggested by the Bureau but with a great deal of support from Gardner. At least, that's the way I remember it.

K: Was the faith shaken at all with the release of the--I cannot remember the formal name of the report, but it was done by a James Coleman *et al*. It was a study sponsored by HEW in 1966.

C: It was a shock effect. It was the shock effect. It just threw us. It really did throw us. On the other hand, I--you know, looking in retrospect, and it's easy to do it, I think it was very useful, a kind of comeback that said, "Hey! The evidence doesn't support what you are talking about." But by that time, I think, the game was pretty nearly over. There was not much receptivity in the climate of the Great Society for negativism or even for a lot of objectivity. It was a period of idealism, of belief that literally a Great Society--it was more than a catchword. It was an expression of great faith in the, if you will, the destiny and the potential of our society provided that the incompatibilities within the society could be addressed with some conscience and some political courage, and I think that dominated everything. Here was a window in time when creative public policy could be adopted with high motives, and they were high motives; a willingness--indeed more than a willingness to take risks, to settle for less than perfect schemes, to--excuse the expression--get the country moving on a social agenda. And by the time it got into its last act, the crisis in the cities,

the crisis in civil rights, began to add other stabilizing strategies to what had been a rather open-ended social agenda, and things got pretty complicated from there.

K: In retrospect, was LBJ right about programs taking root, that if you could fund them initially and get them on the books that they would develop constituencies and clienteles?

C: He was right about that, but he was wrong--he was wrong, again in retrospect, in thinking that the same idealism, the same motivations, would always be there. He was wrong in not understanding that the weeds of conventionalism and bureaucracy would grow over these new seedlings and plantings and, in time, would reduce them to a sort of common denominator. He was wrong, I think, in believing that his own idealism would have a long survivability, that it would endure, and he simply didn't take into account the shifting moods of an open society and the cyclical shifting from the center either to the left or then to the right, the pendulum effect, and what effect that would have on public support and the credibility of all of this. So in many ways he was a giant when it came to seeing the possibilities of strong government, but he was also unable to--in spite of his political savvy he was unable to calculate, I think, the consequences of changing public expectations. I think he also made a very large mistake in not insisting on efficient systems of administration and program execution, and by the time the scandals began to emerge, by the time it became clear that money was being wasted--and at least it wasn't being used properly--and by the time the investigations got going, by the time politicians began to run against his programs, it was too late, and he was gone.

End of Tape 1 of 1 and Interview II

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