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Sharma: This is Patrick Sharma here, on February 7, 2011, with Bert Carp. I wanted to start with getting a little bit about your background and how you got involved in politics in the first place.

01-00:00:14

Carp: Well, I graduated from Stanford University Law School in 1968 and basically, came to Washington because it was the place I got the best job. I went to work in the Department of Health, Education and Welfare, doing civil rights administrative proceedings, doing basically, Southern school district school desegregation cases. I was there through the change of administration, and I wound up working for Leon Panetta who, if people don’t know, was then a Republican and the head of the Office for Civil Rights in the Nixon administration. When Leon got fired for enforcing the law, they gave me the opportunity to work in the Social Security division of the General Counsel’s office in Baltimore; and I was lucky enough to be able to jump to the United States Senate, where I went to work for Fritz [Walter] Mondale, who had a new committee, the Senate Select Committee on Equal Educational Opportunity. Like a lot of people up there, when I got my first job for Mondale on the select committee, it led to other things. I did a number of things for him, including his work on the Senate Finance Committee, including his work on the Budget Committee, where he was an original member of the Senate Budget Committee, under the first chairman, Senator [Edmund] Muskie. Then when Mondale went to be vice president, I was Stuart Eizenstat’s deputy in the White House for four years, where I basically had day-to-day supervision of the domestic policy staff and worked on whatever it was the Carter administration did that you approve of, I worked on that. Since then, I’ve been a lobbyist. I worked in the first Washington office of Hale and Dorr, a big Boston law firm, which since has merged with a big Washington law firm, Wilmer Cutler. I was executive vice president of the National Cable Television Association for three years. For ten years, I ran the Washington office for Ted Turner, in Turner Broadcasting. Since then, I’ve been here at Williams & Jensen, where I have a kind of a general public policy practice.

Sharma: I think it’s really interesting that you worked for Senator Mondale at the time that the new congressional budget regime was emerging. Can you describe how, from your point of view, the 1974 Congressional Budget Act came to be?

01-00:02:48

Carp: Well it’s a very, very long time ago, so anyone who reads this will have to take this with a grain of salt. But the Nixon administration was a kind of a very strange thing. Nixon governed, for most all his time in office, I think,
with pretty substantial Democratic majorities in both the House and Senate. We spent a lot of money and created a lot of new programs. You pick a program that you think Lyndon Johnson started and the odds are that President Nixon started it—the most obvious example being EPA; other examples being the Legal Services Corporation. There are many, many of these. The sort of general approach would be that we would pass a large, expensive something and he would veto it, then we would re-pass 78 percent of it and move forward. So there were a lot of vetoes, but there was also a lot of basically Democratic [bills]—Clean Water Act, Clean Air Act, all kinds of stuff. The result of which, there was a lot of deficit and there was a big salient political issue. One way to deal with that current political problem is with a process solution; the Budget Act by itself didn’t do anything to anybody’s spending.

Sharma: It didn’t, yeah.

Carp: By itself. In fact, there was a basically two-year period between, as I recall—you’ll remember better—between the actual enactment of the act and the first year to which it applied. So it was satisfyingly far in advance, and it made everybody happy because every member of congress’s personal budget balances. It’s just that when they have to come to agree, the things they can agree on are their mutual tax cuts and their mutual spending programs. As you can see in this congress, fiscal responsibility is very popular. Most, not all, but most individual members of congress, across the intellectual spectrum, could balance the budget if they were the dictator.

Sharma: Right. Therein lies the problem.

Carp: Therein lies the problem. But that’s how you can pass a bill like the Budget Act very comfortably, because everybody’s in favor of responsibility. The fact that we have a budget process is almost entirely due to Ed Muskie, who was a person of towering height and towering personality, who actually made this thing work in both houses of congress, to the great surprise, I think, of most people who worked on putting it together. Not that we didn’t hope it would work, but nobody really expected it to work. A new committee to come along and tell other committees how to do things? Muskie deserves enormous credit for this. If you haven’t interviewed him, you need to interview Doug Bennet—Senator Bennet from Colorado’s dad—who was the first staff director of the Senate Budget Committee. He’s in Connecticut, but you can reach him through the senator’s office. Another guy who’s not around here anymore is the original general counsel of the committee, a guy named John McAvoy, who hopefully, is still treading the earth, but is probably someplace like Santa Fe, where he retired. Obviously, there’s a companion story in the House. But if it hadn’t been for Muskie, this process wouldn’t have amounted to a hill of beans. Every once in a while, there’s a personality. He was senior enough, but he wasn’t chairman of any other committee, so he had time, and
he could get these terrifying old bulls like Warren Magnuson and these Southern senators to take this process seriously. It was, I think, a tremendous individual accomplishment.

Sharma: To clarify, this is not in shepherding the legislation through but in implementing it?

Carp: No, this is actually. Here he passed this bill. This is nice, okay. There is no budget committee; it doesn’t have any offices, it doesn’t have any staff, it doesn’t have any salaries. He did little things, like every member of the budget committee had a staffer, and each staffer got a pass to the Senate, and it allowed you to be in the Senate when any piece of legislation was being considered. My point is, this is a small thing, but they went out and got these small things and made this committee real—including fighting like crazy to get a decent hearing room. But everything has to come away from somebody, right? Then sponsoring, getting the first budget resolution through and getting—Muskie, in nurturing this process, sort of, it came to be taken seriously and came to be what it is today. I think Pete Domenici was the first ranking member.

[Note from Carp: I believe Henry Bellmon (R-OK) was actually the first ranking member]

If you could do it, you ought to get the original Muskie and Domenici staff together. You should try to get as much of the original staff together and just get them telling stories, because establishing a new committee almost never happens, and a new committee like this. And the other thing about it is there’s no real politics in it.

Sharma: Well, what do you mean, in that sense?

Carp: Well, senators come from a state, and nobody in your state benefits from the work of the Senate Budget Committee. If they’re getting money, they’re getting an appropriation. If they’re benefiting from a new program it all happens in other committees. So to actually get people to work hard, take this seriously, do this job—

Sharma: And you attribute this to Muskie’s success? Or were there broader forces at work?

Carp: Well, obviously, this was a very good thing to do. And I think people understood that part of adjusting what members of congress thought was a sort of an imbalance in favor of the executive branch, in terms of the way things were being run, that this was a generally helpful thing. On the other hand, this
is not the kind of thing that congress ordinarily likes to do, to provide fewer places to run and hide, to have something like the reconciliation process, which is kind of an offense to the way things are. The wrong chairman could have sunk this thing easily. I think a lot of people wouldn’t have predicted that Muskie would be the right chairman because Muskie had a huge temper. A very, very interesting person. But if you like the budget process, the congressional budget process, it’s to a very large extent, a product of Ed Muskie’s chairmanship. It’s really when he left the chairmanship to come to the Carter administration to be Secretary of State—or maybe he left it before then. I don’t know. But anyway, by the time Muskie left the chairmanship of the Senate Budget Committee, the process was ingrained in a way that you knew it would never go away. Which is pretty amazing, for something that’s sort of been slapped on top of a huge institution.

Sharma: Right. That’s sort of the trend in the literature on the Budget Act, is that it created these budget committees that are sort of grafted onto a very complex appropriation and taxation structure. Do you remember there being pushback? I think at least from the perspective of those congressmen who enjoyed privileges by serving on certain appropriations committees, the creation of a budget committee might drain some of their power.

Carp: Well, there was certainly pushback at the time. I wouldn’t say that I understand this, but most of us who worked on the Budget Act felt like it was a direct affront to the appropriations committees; and for that reason, they would find some way to defang it. Ironically—and again, sort of look at the law of unintended consequences—I think students of the appropriations process would tell you that that was the beginning of the heyday of the appropriations committees.

Sharma: Yeah, ironically.

Carp: One of the reasons it’s so important for people to study these congressional efforts to reform them is they almost never accomplish what they were intended to accomplish—like most things. But then nobody studies it in a disciplined way, so the next time we go to do something, we’re no further ahead. It’s like when we opened up the committee markups to the public. There’s a large reform supported by liberals like me, and what happened? Well, for whatever reason, no political science department sent its graduate students down here after that. They just didn’t. No newspaper added extra people. Cause you didn’t have the budget for it, right? So they opened it up and who came in? Well, the lobbyists came in. The virtue of those things was it was one of the few places where, on a bipartisan basis, members had private time. That’s not an overwhelming thing. But they gave up the private time. What did it produce? Just people like me sending more young people in there to write memos to their clients and more speeches. Instead of people saying,
let’s stipulate I don’t have the votes and move on, we have to have a big speech and the countervailing public benefits just never materialized. People need to look at these things in a disciplined way. Ironically, the appropriations committees, I think, quickly figured out that it wasn’t cutting into their problem, and if anything. Whether it caused it, I don’t know, I sort of doubt. But it certainly didn’t stop it. They pretty quickly figured out they really had nothing to fear from this process. There was no other place to sort of organize opposition to it from. But getting the committee through those original years and defining the way the committee would work on a bipartisan basis, which it has ever since—the way it would work on a bipartisan basis—was all pretty remarkable, and all done in the first three or four years.

Sharma: And figuring out new budget timetables and such.

01-00:14:52
Carp: Right, and making it work, and making the budget committee members, which they did in those original years, kind of go back to their own committees—because they’re all on other committees, too—and be part of the socializing process. It’s as big, I think, an institutional sort of change, in the way that the Senate operates, anyway, as I have seen in the whole very long time I’ve been doing this.

Sharma: It was certainly one of the biggest changes in the budget process, too in the twentieth century.

01-00:15:23
Carp: Correct.

Sharma: This is not something that I think you can speak too much about, but one of the interesting effects of the ’74 Budget Act was the creation of the CBO [Congressional Budget Office] as the sort of non-partisan advisor to the budget committees. Do you remember the birth of the CBO at all or how that worked for the Hill?

01-00:15:40t
Carp: Oh, I remember the birth of the CBO well. In fact, I knew what everybody went through to pick the first CBO director. Of course, Alice Rivlin is another one of the heroes of all this, because again, it might not be that hard to become the CBO director now, but there’d never been a CBO director before, and there she was parachuted into this fairly partisan environment, and she herself is a fairly partisan person. So making that work, pretty interesting.

Sharma: Do you remember how she was chosen?

01-00:16:16
Carp: Well, I remember very well how she was chosen because I staffed part of it. But I think it was a chaotic and difficult—I believe she was ultimately chosen
because of the way she interviewed with the members of that committee, including Republicans. She was a person of very wide relevant experience, all of it in the executive branch, and all of it from a Democratic side. So she was completely qualified, and it was just a job of trying to get people to think that she was the right person. She’s going to remember this a lot better than I would, but it was not easy and it took a period of time and there were other candidates. That’s another one of those things that Senator Muskie, in the end, managed really well, because not only did she become the chairman of the CBO, but she had the support of the committee Republicans and that was important.

Sharma: And then it was still a difficult process to build the institution up and to have it achieve a level of relevance and respect.

Carp: Absolutely. But she got some truly first class people to go over there. Well, that’s not easy when there’s no guarantee the thing was going to be there in a year. Again, looking back at it, it’s like whomever the first secretary of the treasury was; they had to go out and persuade somebody to give up his job and go to work here. That’s not easy. She put together a very good, very credible staff. That institution has never been accused of trying to fiddle the books, and that’s quite remarkable.

Sharma: Yeah, it is. Before we move on to your role in the Carter administration, you mentioned just previously, before we started rolling the tape a little bit, about Senator Mondale’s efforts to reform the filibuster in the seventies. Can you talk a little bit about that?

Carp: Yeah. I worked in the office while this was going on, and of course, it absorbed an enormous amount of time and effort. I did not work on it; the person who worked on it is a guy named Bob Barnett, who’s famous and who’s well worth your spending some time with if you get to work with him. He’s a guy who’s a lawyer here in town whose sidelight is representing most of the media figures and political figures in their contract and book negotiations which he got into because his wife, Rita Braver, works for a TV network. He does it at his hourly rates, as opposed to other people, who want 15% of what you’re doing.

Sharma: Ah-ha. I see. So he’s not an agent, so to speak.

Carp: He does everything. He did Reagan’s book, he does all the books, no percentage. Anyway, Bob’s an interesting guy. He’s at Williams & Connolly, and I’m sure he’d talk with you if you’re interested in going into this period. I find it chiefly interesting because I think it is so unclear what effect it had, as
we consider other—Again, the fact that we had more filibusters after Rule 22 reform certainly does not prove that Rule 22 reform caused more filibusters.

Sharma: Right, it’s hard to disentangle.

Carp: But one at least would think that it would be the cause for some disciplined inquiry before we made other change. I did, when I worked for Mondale in the Senate. He was the Senate’s point person on these anti-busing amendments that we had. That’s relevant here because there were a lot of filibusters of these things. So I worked a lot on that. My personal observation is that at that time, members filibustered primarily—as I think they do today—to make the point to their constituents that they cared and they were fighting to the last ditch. This is sometimes a helpful thing to everybody. My observation about the way those things worked was you would have a filibuster and after about two days, Senator Mansfield would be on the Senate floor saying, you’re disgracing the Senate; you’re holding everything up; everything’s a disaster. Then in about a week, he could say, well, he disgraced the Senate for a whole week; now we can move on. That would happen a lot. Now you have a situation where, after all this time, you don’t care unless you force sixty.

Sharma: Right.

Carp: Everything important has to pass by sixty.

Sharma: But it doesn’t even get out to the floor.

Carp: I just don’t know the Senate being such a complex institution. If you got rid of the filibuster, I think it would probably make, at this point, less difference than you think.

Sharma: Oh, is that so?

Carp: Instead of being sixty votes and having five senators milling around sort of being willing to be the sixtieth vote.

Sharma: Trying to be the fiftieth.

Carp: A body of a hundred people is different. The Senate is not the House of Representatives, and you can’t make it into the House of Representatives because there are a hundred senators; there aren’t 435 of them. So as I say, I think this is all debatable, studyable. Some of it, I think, is even subject to statistical analysis of the kind that political scientists like to do. But it isn’t
clear to me. There are so many more successful filibusters now than there were.

Sharma: Right, yeah. Over a wider range of issues, too.

01-00:22:03  
Carp: Over a wider range of issues. I don’t know, maybe if you dropped it from sixty to fifty-five, maybe there would just be even more successful filibusters. I don’t know, it’s an interesting—Again, a lot of this, I’m probably just showing my age, but it’ll be interesting to watch and see how this agreement between the majority and the minority leader that we have now—Which is essentially, we’re just going do less of this, right? If people can get used to doing less of it, we would be in a lot better shape, because again, we almost always have the law of unexpected consequences. Certainly, anybody who was engaged in Rule 22 reform back then and you’d ask then what’s going to happen, they’d say, we’re going to have less filibusters. If you said to them, well, you’re not going to have it. Let me tell you, I’ve seen the future; you’re not going to have less filibusters. They would say, well, there’ll be less successful filibusters. At a minimum, there’ll be less successful filibusters. Right?

Sharma: Right.

01-00:22:10  
Carp: Not so much. So it’s another really fascinating area.

Sharma: It’s striking because one of the themes that we’ve discovered in doing this research is that there’s a big debate, at least with regard to budgetary issues, between people who believe that process reforms really matter and those who think that process reforms are largely cosmetic and they follow the real political decisions. In other words, in order to get the deficit down, say, it doesn’t matter if you put in a regime of rules to do so; you need the political will to do it. It’s a political decision to deal with it, and any sort of regime or rules will follow.

01-00:23:51  
Carp: Well, I think it’s all right. I think it’s all right, but I would wager—nobody can prove it—I would be willing to wager you would not have had the performance on the deficit that we saw in the Clinton administration, in the absence of the Budget Act.

Sharma: After the PAYGO rules?

01-00:24:09  
Carp: But it’s just the fact of having to come out there and vote on it every year. After you say enough times that you’re going to balance the budget—enough people like me said, we should balance the budget. Even if I’d been brought
up, as an article of religion, that it doesn’t really matter, sometimes it matters. Members of the Senate spent so much of their time on this. It took up floor time, which is precious; designated floor time, which goes to this stuff, right? It made it important in a way that it had not been before. I think that the presence of CBO added a degree of honesty to the budgeting process. I’m sure that you could do an objective study of executive budgets. They’re still not honest—that’s the great thing about being president—but they’re so much more honest now than they used to be, because the CBO really is honest. They may not always be right, but they’re honest. So it’s an enormous change. But just the fact that every single member of the Senate has to go out and vote on a budget twice a year and go through all this process, it makes it important to them, I think. So I think it’s very important. I don’t think the economic policy of the Clinton administration would or could have [happened] and I don’t think you could’ve had Gramm-Rudman-Hollings if you didn’t have a budget process.

Sharma: I see. Okay. Well, let me ask just a little more about your pre-Carter years. Do you remember budget balance being a main concern? How much of a concern was it? Because in retrospect, obviously, the deficit and the debt was so low, both in absolute and relative terms, compared to where we would be subsequently. But was it a substantive concern? Or was there sort of a consensus about running small budget deficits were okay?

01-00:26:16

Carp: I think the budget deficit was a huge, very large political talking point. When I came to Washington, most Democrats, at least Democrats of the sort of northern variety, would give you a speech saying budget deficits don’t really matter, and most Republicans would give a speech saying that budget deficits really do matter, and these speeches would play out in elections. They had much less to do with the progress of legislation, where it’s much more of a debater’s point. Someone who cared a lot about balancing the budget but was from Nebraska would certainly vote for the Farm Bill. Senators from Minnesota, like the one I worked for, nevertheless had a big campaign to get rid of aircraft carriers. I think it was much more of a debater’s point. It was important enough that many senators, including the one I worked for, actually had their own budgets to balance.

Sharma: You mean they would come up with a whole budget?

01-00:27:58

Carp: Oh, yeah. Oh, at least the kind you could do on the back of an envelope. If you voted to tax some oil companies back then, you could make the thing work. Actually, I think it was as much of a political issue then as it ever is. Sort of when you know enough to write about it. I don’t believe that the budget is or ever has been a top ten issue on any poll—that people care about or want to vote on, but it’s interesting.
Sharma: Yeah. It’s striking that sort of the discourse has been the same, even though the actual economic dynamics of the debt and deficit have changed dramatically, in my opinion—

01-00:28:56

Carp: Right.

Sharma: —the debt to GDP ratio being quite high now, in historic perspective. Let me ask you, how did you end up in Carter administration?

01-00:29:33

Carp: I wound up in the Carter administration because I lost my job in the Senate, since Mondale became vice president. When he was nominated, I went to Atlanta and kind of ran the issues and speech writing part of the vice presidential campaign, working pretty closely with the Carter people. Mondale clearly leaned on Eizenstat and I got the job. David Aaron, who’d been his foreign policy person, went to be [Zbigniew] Brzezinski’s deputy. But I worked for Stuart; I didn’t work for Mondale, although I certainly continued to love him.

Sharma: So did that mean that the presidential and vice presidential wings of the campaign were fairly well integrated?

01-00:30:28

Carp: Yes, I think they were well integrated. Of course, there’s this whole literature about Mondale, but unlike many vice presidential candidates, he insisted on having his own staff as part of that. So we were down there, we were co-located, but he had his own advance and scheduling operation, he had his own speech writing operation and his own press operation. We worked very closely with them; we had a great relationship. But they never put anybody on his plane or anything like that. The difference between what you read, anyway, about for example, the [Sarah] Palin thing, it was very different. I think the same thing in the White House. This is partly because Mondale, who was of course, a Humphrey Scholar, had a pretty good sense of what he was getting into and how to make it work; and it did work for them.

Sharma: Yeah. Can you describe a little bit how the Carter campaign’s economic goals evolved during the campaign? I’m sort of at a loss to explain exactly how Carter’s economic vision was formed at the outset. I know there were meetings in Plains about it, but it seems as if he really actually did a lot of the thinking himself and sort of dominated the policy formation. Is that a fair assessment?

01-00:31:52

Carp: Of the campaign?

Sharma: During the campaign, coming up with the sort of economic priorities.
Carp: Well, first of all, Carter personally dominated the policy making of his administration to an extraordinary degree. Very much, I think, the way Clinton did. He’d been a governor, he was a really smart guy, and he had an opinion about everything. Certainly, everything domestic. Some of his opinions were forged when he was the governor of Georgia. I didn’t agree with all his opinions, but he had them and he was knowledgeable. I think that his macro views about the economy were pretty conventional. I don’t think that the Democratic presidential candidates really had a different view of macroeconomics. I think he thought there was a lot of waste and silliness in the federal government, an opinion which he formed based on his own personal experience, by dealing with these programs in Georgia. I think he saw a lot of political value to being against waste, fraud, and abuse; but I don’t think that was a macroeconomic, balancing-the-budget thing. One of the first things that Carter did was to propose these stimulus programs. I don’t think he was at all personally uncomfortable with that. He was, however, a politician who wanted very much to be seen not in a partisan way; he wanted to be seen as being conservative. You could see that as the administration moved forward. But again, I don’t think that was a macroeconomic view of things, I think that was a product of being a politician from a certain place.

Sharma: So you think this fits in line with his fiscal conservatism? On the campaign, he sort of took the Ford administration to task over not balancing the budget.

Carp: Sure. But he always said you could balance the budget by doing things. I think that was, in his mind, more of a management point, not a macroeconomic point.

Sharma: So Carter wanted to sort of be the adult in the room, for lack of a better term, opposing special interests on both sides, doing process reform, increasing efficiency.

Carp: Correct. Correct. And he thought that was the right political place to be, and it rubbed a lot of people the wrong way in the Democratic party.

Sharma: Yes, certainly.

Carp: To everybody’s mutual cost. Carter was not wrong. The country was getting ready to elect Reagan, and our party was getting ready to run Teddy Kennedy, completely unsuccessfully, against Carter. When people talk to me about this, I say it was like a failure leadership and a failure of followership. It was our fault for not persuading these people on the hill; it was their fault for not listening. Every other president was a beneficiary of this. The one thing I would say here, members of congress, at the time Jimmy Carter was
president—Democratic members—did not feel that their political fortunes were intimately tied with his. That is not what experience had taught them. Right? Carter’s defeat taught everybody. Reagan had a much better quality of followership from congressional Republicans because of what happened in the ’80 election, than he would otherwise have had. And Clinton had a very different—there’s this sense that, gee, we’re all in the same boat here, like it or not. Even if I don’t agree with you, we better find some way to get along because if your boat sinks, my boat’s likely to sink, too. Birch Bayh, he was a great supporter of the president, as a loyal Democrat; but he did not think his reelection depended on Jimmy Carter; and we all found out, for the first time, that it did.

Sharma: So why do you think there wasn’t that sense?

Carp: These members who were in congress then had been Democratic members, and they had seen Democratic presidents come and they had seen Democratic presidents go, and they were still there. So it defied their experience. In fact, I think something changed. Not being like you guys, I’m not sure I know what it is that changed, but something changed. We were shocked! To see people like Gaylord Nelson to go down the way he did—these things were expected. People like Birch Bayh, people like Gale McGee, in Wyoming—if you’re going to look at this, this was like, oh, this is going to happen. Now, we all expect it to happen. We believe and they believe their fortunes are tied together. Whether the quality of the leadership’s gotten better or not, the quality of the followership was greatly improved after the ’80 election.

Sharma: I think historians think about it in two different terms. They think about the Carter presidency and they see exactly what you’re describing, the sort of split within the Democratic Party and the lack of consensus and sort of cohesion. They see, on the one hand, I think what you’re describing, is that the Democratic congress was an institution in and of itself, that was one of the strongest political institutions in the country. On the other hand, some historians think that there was an ideological split between, say tax and spend traditional Democrats, largely from the Northeast, and Jimmy Carter, who in many ways, was a new Democrat, who was sort of Bill Clinton before Bill Clinton.

Carp: Well, no, that’s completely accurate; but the difference is now people see a need to transcend those ideological splits, to some degree. In other words, well, I don’t really agree with the guy, but I want to get re-elected. In other words the notion of for better or for worse, you retain. People understand that now, in both these political parties, in a way they didn’t understand it before because they didn’t have any evidentiary experience to base it on. That ’80 Senate election was a complete surprise. It would not be a complete surprise now. So it just changes the way people behave. And if they’re going to make
the president look bad, they worry about how to make him look bad in the least bad way. Because objectively, they understand that their fates are [tied]. I’m not talking just about Democrats. In both parties, they objectively understand that their fates are tied together, in a way that they just didn’t before.

Sharma: Well, look at the Republican congress’ priority number one when Obama came in; it was to bring the Democratic Party down by bringing Obama down.

01-00:39:55

Carp: Well, at least they said that; I don’t believe it, though. Their number one priority is to return their members.

Sharma: No, but I think that’s part of the same thing. Returning members is tied up with the President.

01-00:40:05

Carp: That’s right. No, but that’s not always exactly right.

Sharma: So that’s definitely changed. I just want to bring you back a little bit to the ’76 campaign. Do you remember any specific areas of disagreement within the campaign over policy?

01-00:40:19

Carp: No. There was only one area where there was any degree of policy disagreement, which they agreed to just preserve, and that was over Medicaid funding for abortion, where Mondale had a record. He just didn’t believe you could discriminate against poor people. Carter came from the other side of that, which is we’ve kind of gone as far as we could go, and they just agreed to disagree. But if you go back and look at the Carter platform and what he’d been campaigning on, there was really nothing there that caused any degree of discomfort.

Sharma: I want to move now to the first stages of Carter’s presidency. Carter came in with an economic stimulus plan. But you mentioned in your Miller Center interview—already, this is now twenty-some years ago—that the stimulus program that ended up being unveiled right when Carter came in, in early 1977, was an enormous tactical decision that cost Carter politically, more than people will ever know. Can you expand on that? What was the stimulus about?

01-00:41:43

Carp: It’s hard to go back that far. But I think part of the problem—and you see it now—is that you campaign in one economic environment, and you make a bunch of fairly specific policy commitments in the context of that environment. Then you get elected and you have a different environment. We can see Obama struggling with that. Any president does when you confront a
totally changed economic environment. Again, I’d have to go back and refresh my notes, but I felt like we cashed a lot of chips there and got off as much on the wrong foot with the congress as you could get. We went through the rebate thing, which was too bad because it wasn’t legislatively successful and wasn’t politically successful. There we were. On the one hand, we were for some stimulus spending; and on the other hand, we out and had a big fight on water projects. Again, you have to remember, I was a young guy then. Even when I gave the Miller Center interview, I was a lot younger than I am now. But the other thing that was wrong with that stimulus program is that there was too much in there that, while it may or may not have been a good idea, people had not asked for. So we were successful with a lot of that stimulus program, right? Then everybody comes saying, now we want the urban policy. Well, wait a minute. Well, yeah, but we didn’t ask for that. Where’s the public service jobs for the young people? We didn’t ask for that. We asked for this. Politics is complicated, but for me to say, when you come to ask for something, well, excuse me, I had a better idea and I gave that to you two weeks ago; and you’re sitting there saying, well, now what am I going to do? How am I going to go home? What am I going to tell my people, right? Because we came in and the thing wasn’t great, it cost us a lot institutionally. It got him off on the wrong foot with congress, and he was on the wrong foot with congress for the whole four years. Not entirely all his fault.

Sharma: No, certainly not; and we’re going to get into that. So with the stimulus bill, was that largely a White House initiative and it was drafted within the White House? My understanding was that maybe too much was delegated to congress, but I might be completely misunderstanding this.

Carp: It was a mish-mash. The economic program was put in place before the White House staffing structure had been put in place, before all the cabinet departments had been put in place, right?, and frankly, before I was put in place, It wasn’t handled the way other things were handled.

Sharma: Okay. Well, it’s an interesting thing, and we’ll talk about this later and it brings up some of the difficulties of doing fiscal policy, fiscal stimulus. One of, I think, the larger developments that happened in the late seventies and early eighties was the rise of monetary policy as sort of the key economic tool, and sort of the relative downgrading of fiscal policy. Can you talk a little bit more now, moving on from the stimulus to the early years, talking about the relations between the Carter White House, first and congress? Specifically the Democratic Party in congress. Where were the major lines of dispute? How did that look on the inside of the White House? And how did you and other advisors grapple with that?

Carp: Well, first of all, I think if you take a look at the legislative achievements of the Carter administration objectively, I think most people who’ve looked at
that have said those were all pretty productive congresses, and a lot got done. Maybe even an above average amount; although maybe not, in comparison with Nixon, because those were unbelievable years of legislative productivity, really, when you go back and look at it. Quite startling. But the appearance of it politically was terrible. We had a pretty good midterm, too. Losing is always ugly. But I won’t forget going—it must’ve been in 1978—to Detroit for some big convocation. At that time, anyway, in Detroit, they had a lot of active, thriving suburban newspapers. A bunch of little newspapers—I guess they were weeklies or something, but it was quite a phenomenon—and I got to go have a drink with these people and I said, “Well, how are we doing?” They said, “Well, you’re doing terrible.” And I said, “Well, how do you know we’re doing terrible?” “Because John Dingell and Bill Ford and these members say you’re doing terrible.” So we kind of had this thing. He was not that uncomfortable kind of running against them and they were not that uncomfortable kind of running against him, and they set in place a dynamic that was not very good. Then all of us, all together, got the economy wrong and we wound up with a really bad economy. I don’t know if it was anybody’s fault, but you sort of get graded on your performance. But I think that the degree to which, as compared with other presidents—the performance was pretty good, but the music was just terrible.

Sharma: Yeah. Well, and certain of the key legislative accomplishments of the Carter years were things that were sort of much more forward-looking. I’m thinking energy policy, specifically. That wouldn’t necessarily show up in an election cycle. That kind of stuff is less amenable to increasing your popularity than other things.

Carp: Well, and the economy went south. Carter was a Southern politician. He represented people whose roads weren’t paved. When he was governor, he got their roads paved. He represented people who didn’t have sewers. He got them sewers. He delivered to people who were on the less powerful end of the political spectrum. That’s what Southern Democrats did. Then maybe the speech wasn’t quite as morally uplifting. Because he believed that if you delivered the stuff to the people who needed it, right?, then you could give the speech to the other people. It’s not fair to say this, but if one wants to sort of draw sort of extreme examples, in the North, the music was a lot more important and the actual delivery less important. So to some degree, he’s up there with his welfare reform proposal, which I understood very well, saying, I’m being really tough. Well, he wasn’t being very tough. He wasn’t being really tough.

What happened with the welfare reform proposal, as you guys are budget experts, as the welfare reform proposal went up there with the administration’s cost estimates, with us saying, “Tough.” So the Ways and Means Committee started saying, okay, but it’s tough so we’re going to add to it; and then CBO came out with their cost estimate and then they just stopped.
meeting. It’s like, oh, my God, we already said it was too mean, but it’s also
too expensive, so life is over. This is really a case of politicians who were
very different speaking different languages with different stylistic approaches
to things, and there was a real disconnect. But when Clinton came along, with
not that different a political profile, he was able to succeed. First of all, he was
a wonderful personal politician, which my old boss was not. But beyond that
Clinton was a product of people’s experience before; gee, it’s not so bad
having a Southern governor to front for you, and maybe we’ll find ways to
make this work. A lot of it was cultural. As somebody who certainly came out
of the liberal [wing], it was a very painful time for me. But it’s just that the
connection was never right. Not that I think any of this created that election; I
think the economy created the election, and certainly, the synergy between the
economy and what was happening in Iran.

Sharma:  Yeah, with the hostage crisis.

Carp:  We just sort of had this fable that played out every night, America held
hostage, day 152 or whatever. Nobody was going to survive that.

Sharma: I really do agree with what you’re saying. I think Clinton inherited a much
different country than Carter did. I think the Carter years were a period of
tremendous transition in the country, one of the major transitions being this
ongoing decline of the steel belt, this waning of the unionized Northern
Democrats. It seems to me that that’s something that really negatively
impacted Carter, is that he was a Southern Democrat and Northern Democrats,
who had so long held power in the party, were, I think resentful is too strong
of a term, but suspicious or he wasn’t one of their own. It just reminds me
of—I don’t know if you remember, there was this—I think it was in 1978,
when Carter went to Youngstown, Ohio and was forthcoming that federal aid
to help steel mills that were closing down wasn’t coming. I think this spurred
Ted Kennedy to run. I may be getting this wrong—

Carp:  No, you’re getting it exactly right. But I’d say and yet, why was Jimmy Carter
president? Jimmy Carter was president, in large part, because the United
Autoworkers really wanted to beat George Wallace, and they really wanted to
beat George Wallace in Florida. They knew they couldn’t beat George
Wallace in Florida with Birch Bayh or any of these other people, right? So
they put all their muscle behind Carter because they wanted to beat Wallace.
We all knew this, right? We all knew this. You’re talking about the Reagan
Democrats there. Those people who, because these people wouldn’t listen to
what Carter was saying, those people wound up rejecting the Democratic
Party for not caring enough about them. The United Autoworkers understands
their members; that’s why they wanted Carter, because they really didn’t want
Wallace taking those people away from them. So in a way, we were almost
right on the verge of sort of learning that lesson, then we didn’t. You see what I’m saying?

Sharma:  I see. Yeah.

01-00:55:27

Carp:  Here we had a political party that was running poor Teddy Kennedy against Jimmy Carter, on the grounds he wasn’t liberal enough, while the country was getting ready to elect Ronald Reagan. By the country, I mean these swing voters, who are very different than the swing voters today; these blue-collar people in Michigan, who are probably now all working in Nissan plants in the South. So that’s the only thing I would add to that. It’s like it shouldn’t have been a surprise; it’s the reason Carter had the union support that he had in the primaries. But again, a lot of it’s just like language.

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Sharma:  We were talking a little bit about the broader changes in the country during the Carter years, just reflecting on trying to find some explanations for Carter’s difficulties, particularly with the Democratic congress. I’d like to just pick your brain a little bit on a few specific events. You mentioned welfare reform. Can you walk us through how that played out and your role in sort of the failed or the stalled—one can say the stalled—effort to reform welfare?

02-00:01:19

Carp:  Well, the welfare reform proposal, unlike the first economic program, went through the regular White House staffing process. I think that maybe if we’d had a better developed congressional budget process, we wouldn’t have had this problem. We had a president who was a very, very smart guy, who had spent a lot of time on welfare, and who understood it very well from the state perspective. He was committed to a large employment piece, a big public service employment piece. So one of the agencies that was involved in this interagency process from the beginning was the Labor Department. And he was committed, in his campaign, to both simplification and reform of the AFDC [Aid to Families with Dependent Children] program. That meant that the Department of Health, Education and Welfare had to be involved. Hopefully, the President will never see these comments, but he had a little bit of the same problem as Obama had, I think, with his healthcare plan, which is that he had quite a detailed proposal, but it just couldn’t be made to exist—not in anything like any reasonable set of budgetary restrictions. Of course, the budgetary restriction which came from the campaign was basically, we were going to pay for all of the new good things by—like the Obama healthcare program, which was going to save each family 2500 bucks, out of the waste, fraud and abuse. Pretty much the same situation. Out of the reflows and the throughflows, we were going to have this much better program. And there weren’t that many reflows and throughflows, but there was a very messy, long
and turfy process, with the Labor Department wanting as much of the money as they could get for jobs and HHS wanted as much of the money as they could get for something that would be just as close to the Nixon negative income tax as they could come up with, because they felt, for very deeply-held policy reasons.

Sharma: You mean HEW.

Carp: HEW. But then in a zero-sum budgetary world, the more money that went into the cash assistance, then the less money for certain jobs. Really, it was a very messy interagency process, for reasons that were really no one’s fault, except conceivably, for the campaign advisors who let Carter get into this trouble. This is the way campaigns work. So the result of this, without putting too fine a point on it, is that in the end, we wound up with a program that the cash side was pretty good, but not good enough; and the job side was pretty good, but not good enough; and the cost was horrendous. Basically, we mashed the cost down and announced this in a way that I thought emphasized the tough above the fair, and members of congress took us at our word. Because it took a while for CBO to cost this thing out; this was the early days of CBO. In the end, the too tough Carter version was way too expensive, after it had been re-costed, for anybody. Really, my memory of this, which I’m sure is wrong, is that sort of the Ways and Means Committee sort of quit meeting about it. [laughs]

Sharma: Oh, they just let it die like that? It’s because it was the cost.

Carp: Well, it was the cost, but they had all gotten themselves on record as saying it was too mean.

Sharma: I see, okay.

Carp: It comes from these communications things, right? In other words, we said, this thing doesn’t cost anything. They said, oh, well, good; we’ll add 30 percent, we’ll accuse you guys of being too cheap, and we’ll move forward, right? Then we get this cost estimate, it’s like, oh, my goodness. I think this is too mean? It’s just like, whoa. They sort of got away with it, for your purposes. The budget process was knew. We sort of did an executive budgeting on this. Who knows? Before the Budget Act, it might’ve just gotten through congress, and then in ten years, somebody could’ve discovered cost overruns. Who knows what would’ve happened under the old system?

Sharma: That’s an interesting counterfactual.
It sort of refers to sort of one of the first big social programs to run into the new Budget Act. Again, it would be interesting for somebody to go back and actually test my memory by looking at what we said about the cost figures and how that all worked out, but I’m hopeful I would be borne out by research. But I do think it’s one of the first big initiatives where the CBO and its costing—there was a huge discrepancy there. I still think that the executive budget, because they have a single master instead of many, may be a little bit less pure. Later on you would never have gotten this kind of cost increase. The OMB would’ve been in there saying, excuse me, we can’t say this costs that.

Okay. Yeah, but it is an interesting example of this new budgetary regime having an impact, I think. So another event that I want to get your thoughts on. In 1977, there were some payroll tax increases to shore up Social Security, if you remember that. Do you remember there being any significant disagreements within the White House or between the White House and congress over that? Or in a broader sense, any early thinking about rising entitlement costs and trying to get those under control?

Here’s what I do remember. During the transition, when we were getting ready to take over, Eizenstat and David Rubenstein—who was his other deputy, the one who got rich founding the Carlyle Group—we went over and we had a session with Jim Cannon who was the outgoing domestic policy chief for Ford. They said, this is the issue. Social Security and cutting Social Security back is going to be the issue and you’re going to spend all your time worrying about this. For us, it was not that.

No, not the major issue. So you would characterize these payroll tax increases as sort of a—

I’d have to go back. There must not have been major union opposition or major—I think these must have been sort of consensus driven. In the old days, Social Security wasn’t indexed.

That’s true, yeah.

Every few years, congress would pass a cost of living adjustment and leaders would get patted on the head. This is a political thing, to deliver something. But unfortunately, Frank Church and Richard Nixon were up for reelection the same year, and rather than just give a Social Security increase, they decided to give everybody a Social Security increase for all time. So even though they’re both gone to their reward—now the Social Security increases are automatic and they’re indexed to wages. If congress wants to demonstrate their concern for their elderly constituents, they have to find something else in addition to
do. Now, I sound very cynical, and shouldn’t; but if you’re a person who
thinks Social Security has grown too big, too far and too fast, that’s where this
started to happen.

Sharma: I see. Okay.

Carp: So instead of a member of congress getting some credit for these increases,
and having some ability to manage and time the increases, so maybe in a year
in which there’s no inflation, it wouldn’t happen. So it’s just an interesting
thing. It’s a relatively recent thing.

Sharma: Okay. Let’s move on to a more contentious issue, at least at the time—well, it
still is—the effort to reform the National Health Insurance initiative. Now,
this is maybe one of the handful of key events, I think, in the Carter years,
especially with regards to the economy. Can you describe your view of how
this effort played out?

Carp: Well, I think there were a couple of sort of large decisions that shaped this.
The first was, we believed, rightly or wrongly—I think you could debate this.
But we believed, without very much internal disagreement, that you couldn’t
send a healthcare proposal and a welfare reform proposal up there at the same
time. So you had to gate these. I think we decided to lead off with the welfare
reform proposal, largely because we thought it would be easier. And I think it
probably would’ve been easier. [laughs] Even though it was impossible. I
think that by the time we turned seriously to healthcare, it was clear that there
wasn’t money to do what the labor unions wanted, and that trying to do
anything else wasn’t going to be successful and also would be politically
destructive to our coalition. And that’s sort of the way that wound up.

Now, there are people who would tell you—and I think Stuart, if he were
here, would tell you, and he certainly did try to argue at the time—that we
should have just endorsed the Kennedy proposal because Ted Kennedy and
Lyndon Johnson and Franklin Roosevelt couldn’t have passed that bill in that
time. The other side of that is, we did have all this budgetary responsibility
and there wasn’t any way the president could endorse the Kennedy plan
without putting the Kennedy plan in the administration’s budget. Charlie
Schultz would say, my God; the Secretary of the Treasury would say, my
God. So that’s, I think, sort of the conundrum of that. When we made our fatal
decision on this, until the fatal decision we made here, as I think Ted Kennedy
wrote in his book, is when we decided not to work with Nixon where we
really had the opportunity. That was a real opportunity to do this. Now, had
we put healthcare up first, what would’ve happened? I don’t know. We didn’t.
I have no doubt that we would’ve wound up handling healthcare the same way
we handled welfare reform, probably would’ve come to the same result.
Would that have left Kennedy in a position to run against Carter? Who the
heck knows? But I’d say first we decided that we would send welfare reform up first, and I don’t think there was a huge debate over that, because we sort of thought, well, we’ll build a base here and then we can get onto this other really difficult thing. I don’t ever remember a moment when we thought we were or could submit a healthcare proposal that would become law, under the circumstances. Now, did we handle Kennedy right? Well, obviously, we didn’t handle him right, because it wasn’t good for him and it wasn’t good for us. You’ve got to believe you’ve could’ve produced a better—

Sharma: A less costly insurance.

02-00:15:22

Carp: Politically less costly. Well, who knows? It’s very, very difficult because especially back then, people wanted things out of health insurance. They wanted to free up some money to use for other things. So the wrong health insurance proposal just wasn’t meeting people’s—these big industrial unions had definite ideas about what they wanted. So I’m not sure that the ingredients were really there. The ingredients were barely there to get something done this time, after the passage of all these years, when the issue is very much different. Even then, who knows how high a price has already been paid?

Sharma: Right, yeah. Well, I’ve seen reference to direct discussions between Carter and Kennedy over this. Do you remember any of this? Was Kennedy brought into the White House, and was this an effort by the Carter administration to get him to come up with a more moderate proposal?

02-00:16:37

Carp: While it is certainly accurate to say that there were direct discussions, or it would certainly be wrong to say that there were no direct discussions, I don’t really think they were what people would think were direct discussions. I think by the time we got to that point, he couldn’t be for anything we could be for and we couldn’t be for anything he could be for.

Sharma: Really?

02-00:17:02

Carp: We would’ve lost a Treasury Secretary over it.

Sharma: Okay.

02-00:17:05

Carp: Well, we had all these economic problems and endorsing this big—Everybody wants to read this as though it was an election story, but it’s not. Remember, he had just—_just_—come off of—and you could see Senator Kennedy felt bad about it for the rest of his life—stiffing the Nixon plan, instead of trying to work with it, right? Well, that constrained him. And he was the voice of the industrial unions and civil rights groups; I don’t mean to
denigrate the coalition. He was the voice for these people, all of whom had stiffed the Nixon proposal; and everybody, I think, felt a little bit wrong. But they had just done that. Well, he couldn’t come and have an agreement with us on something that was phased. In the end, it was a bridge too far. Especially because by the time we got to this, the budget was a mess because the economy was a mess, and inflation was cooking. It just wasn’t really—

Sharma: Right, it wasn’t in the cards.

Carp: It was not. It was not. It really was not in the cards. Again, you could have the political people saying, let’s all get together; but then you’ve got the Treasury Secretary, who says, excuse me, I go to these meetings in Europe, “Here’s our interest rates and here’s our inflation rate, and we’re going to what?” The one thing that could’ve created a dramatically different what if is if we had sent it up there first; then who knows? If you’re a novelist, maybe the whole thing would have sorted out differently. I hope you ask Charlie Schultze about that; I’d like to see what he said.

Sharma: Yeah. Let’s turn to the effort to deal with inflation. We did talk to Charles Schultze about this and he admitted that this was the Carter administration’s main failure, the misreading of the situation and these sort of stop-gap efforts to deal with it, until the appointment of Paul Volcker as Fed Chairman.

Carp: Correct.

Sharma: We’re going to, hopefully in a little bit, talk more specifically about the organization of the White House and your role in it. But from your perch, how did you see the inflation monster?

Carp: Well, Nixon faced almost exactly the same problem, and he slapped on wage and price controls and got himself reelected. Right? I understand that it was irresponsible, but Nixon put wage and price controls on and he got reelected. Carter looked at this and decided to do the right thing, sort of, the way we do it. So we had everything about wage and price controls, except the wage and price controls.

Sharma: It was supposedly on a more voluntary basis?

Carp: We had the caps on wages, we had the bureaucracy. We had the Council on Wage and Price Stability. We completely re-established the Nixon price control program, except we said compliance was voluntary; and of course, thee was no compliance. There was a lot of non-compliance.
Sharma: Was the lesson drawn, exactly—I’ve wondered this—explicitly drawn from Nixon’s example to do this, that this was the way in which this could be sort of temporarily managed?

02-00:20:47

Carp: Well, Nixon had done it. It’s just objective; you can go back and look at it. We put back in place all the elements of the Nixon price controls, except the price controls. We had the weekly reports, meetings, we brought people, jawboned ‘em. We did everything except control either wages or prices, and nobody paid any attention to us at all. But I think an economist would tell you that economists learned from the Nixon— What I learned, being a political hack, was you put these things on, you can get reelected. What economists learned was that it distorts the economy in a lot of harmful ways; and Carter, being a very responsible person, was unable to not listen to the economists. But it was kind of goofy to have all of the paraphernalia of wage and price controls. Did you talk to Sally Katzen?

Sharma: No.

02-00:21:43

Carp: Sally Katzen, now a prominent person, was the general counsel of our Council on Wage and Price Stability. You should interview Sally.

Sharma: So the decision to make these voluntary was because?

02-00:21:55

Carp: It was the President’s decision. Yeah, it’s like a bunch of us political hacks went in there and said, let’s have wage and price controls and get reelected; and responsible people like Charlie came in and said, we can’t do that, you’ll mess up the economy. And we said, well, the next Republican will mess it up worse; you need to do this. And he said no, and we compromised. Well, that’s—

Sharma: Nothing.

02-00:22:14

Carp: Well, it wasn’t nothing. To me, maybe conceivably even worse than nothing. I don’t know. At least it showed we cared. But it was really quite a large enterprise, with lots of employees.

Sharma: Lots of employees, lots of political capital spent. One thinks of the anti-inflationary speech.

02-00:22:32

Carp: I never had any doubt. I believe he could’ve had wage and price control legislation through congress, had he wanted it.
Sharma: Oh, is that right?

Carp: Yeah. Again, that’s the kind of thing that might’ve gotten him elected. It might’ve, I don’t know, ruined our economy, I don’t know. I always thought that was kind of a big moment in his career. The Republicans would have been very hard pressed to argue very hard against it, because they’d just come out of Nixon doing it.

Sharma: Monetary policy wasn’t seen, as it would be subsequently, as sort of the way in which one combats inflation. That was really an invention of—

Carp: Well, Democrats aren’t really for combative monetary policy—

Sharma: No, of course not.

Carp: —with the Federal Reserve, which is why the whole Volcker appointment story is so significant. It just shows you how bad the inflation was, because I don’t think Mondale would’ve disagreed with it, or did disagree with that. Republicans were more in favor of managing things through monetary policy. We came to it hard.

Sharma: So then what accounts for it? Was it just a slow realization that this was the only tool left with which to deal with it?

Carp: I basically think we decided not to deal with it. The one thing we could have done that would have dealt with the immediate problem was to impose wage and price controls. It was very seriously considered, as I think Charlie would tell you. So seriously considered that when we decided not to do it, we were left with this huge structure here, which rolled forward. Basically, we did nothing but point out that we weren’t getting anything done. I’ll never forget that in the middle of all this, we had a big meeting with George Meany, who was still head of the AFL-CIO, in the Indian Treaty Room. I don’t know why we had a meeting like this, but anyway, there was this enormous meeting, filled up the Indian Treaty Room. There’s Carter saying, “You’ve got to be responsible.” And Meany says, “Mr. President, even if I agreed with you about all this stuff, which I do not, I run for reelection every two years,” whatever it was, “and if I agreed to this, I would no longer be the president of AFL-CIO.” Now, we could’ve done the Nixon thing, which was pass a law, make him do it. We didn’t do it. At least there were plenty of us who never thought that they could possibly be successful on a volunteer basis. It’s just asking water to flow uphill, and too many people who work in a representative capacity to sort of betray their—
Sharma: No, no one’s going to voluntarily impose limits, no matter how—

02-00:25:24
Carp: No, because the next guy could embarrass you by not agreeing to them. So I thought that took up a lot of space. And I’m sure he came to the right policy result and absolutely, the wrong political result.

Sharma: Yeah, let’s talk about that. How did the decision to appoint Paul Volcker come in? Was this something that was with the explicit understanding that this would entail a tight monetary policy?

02-00:25:56
Carp: Well, the decision to appoint Volcker, as you know, came quite late.

Sharma: Right. I don’t believe he was the first choice, either.

02-00:26:01
Carp: It came so late that it did not, I think, impact the election or anything else. The appointment of Volcker did not run through the Eizenstat apparatus, because it was an appointment, not a policy. But I think it’s pretty clear from Carter’s writings, and it’s pretty from what Volcker has said and it’s pretty clear from what everybody knows about Volcker, which is he’s never been one to pull a punch, that he told Carter what he would do if he was put in there—which is to cause the world’s most hellacious recession and wring this out of the economy, which is exactly what he did. I think what Carter has said about this, which I feel no reason not to be true, was he saw that we couldn’t have this inflation go on for a prolonged time; it had to happen. On the other hand, I don’t think it was as courageous as it would’ve been if—he knew he was either going to be reelected or not, before the impact of these policies could be felt.

Sharma: Because there’s a lag time between them?

02-00:27:09
Carp: This is really what caused the tough times that Reagan faced for the first two years of Reagan, and the last time we had—he put the country through something that was every bit as big as the thing we’ve just been through, for the purpose of getting rid of the inflation, which was a terrible, terrible thing and would’ve been very hard to do. Having all those Republicans in the Senate helped, I think. It would’ve been very hard for Democrats to sit by and watch that happen.

Sharma: No, certainly. Yeah. So let me just make sure; you weren’t involved in any of these discussions. From the political side, was there any fear about this turn?
Carp: I’d have to get the timing, but Volcker wasn’t really in there very long before we weren’t in there anymore.

Sharma: What do you make of Carter’s rhetoric? One of the things that people usually attribute Carter’s failures to, or his failure to get reelected to, is the fact that—or the assumption that he was an ineffective president rhetorically; that he didn’t use his bully pulpit effectively, and so he had the anti-inflationary speech, the malaise speech, that sort of created a sour mood; he didn’t communicate economic ideas clearly. Do you think that’s a legitimate critique?

Carp: Well, I think it’s a legitimate critique. I think objectively, the greatest rhetoricians haven’t always been the best presidents. It didn’t keep him from getting elected president. It didn’t keep him from beating Ted Kennedy, who’s one of the best speechifiers of my lifetime, in the ’80 primaries. I don’t think he lost to Ronald Reagan because Ronald Reagan read a speech better than Jimmy Carter did—although he certainly did.

Sharma: So too much could be made of that.

Carp: Yes. I think this is all a tribute to Teddy [Theodore] White and that wonderful book, The Making of the President, 1960. It’s a wonderful thing to be able to give a great speech. But Obama has given great speeches all of his life, and I don’t think the speeches made him win, and I don’t think he suddenly became a bad speechmaker when he lost the House of Representatives. So I think this whole thing is overstated. We’ve had a lot of revisiting of that malaise speech, which, as well all no know, he never used the word malaise. The speech was extremely—

Sharma: Right. Actually, his poll numbers actually bounced up.

Carp: I thought it was quite a successful speech. The problem was he fired the cabinet, which was a terrible thing to do. Accepted their resignations one by one; that was just awful. And he stepped all over the momentum. It started out to be a bad speech, but a lot of speeches start off to be a bad speech. But he worked on the speech, it turned out to be a good speech, he got good re— Again, speeches don’t make presidencies, despite Teddy White. It was a fine speech. But then he troumped on the speech by actually doing something, which is firing the entire cabinet all at once. Well, that was not the right thing to do. So as is usual, he got in a lot more trouble for actually doing something that turned out to be something most people didn’t like, than he got into from giving the highly-regarded speech, to me.
Sharma: As someone who was on the political side of things a little more, were you, at the time, cognizant that this was such a problem, that he was sort of stepping on his feet in this sense? Did you try to warn against it? Or is this something that happened?

Carp: It was hugely controversial. It was hugely controversial. Hugely controversial. Not something that Eizenstat was for, not something that our operation—we were very much opposed to it. But it happened anyway.

Sharma: Yeah. Did you find that in general, that Carter was someone who would basically call his own tune and it was difficult to sort of have influence on him in that respect?

Carp: Well, Stuart wasn’t the only person who talked to him. There was a merit side and a politics side to that decision. On the merit side, there were people who felt that going into the second half of the administration, some changes needed to be made to make the trains run on time better; that we had flipped over too much towards cabinet government, which was, of course, a reaction to Nixon. Does this remind you of anything that’s gone on in the last couple weeks? And that was a perfectly debatable, valid. I don’t want to go into personalities, but perfectly founded. This cabinet secretary and that cabinet secretary might’ve outlived their usefulness and should be moving on. [James] Schlesinger, at the Energy Department, had been begging to leave so he could make a little money and take care of his enormous family. What a wonderful guy he is. Plus he’s a Republican, and he sort of didn’t want to be in the cabinet as we were heading into the election. So each of these situations was different, right?

Those of us in the White House felt pretty strongly we needed a strong chief of staff structure. Hamilton [Jordan] was the only person who could have actually done that job, with the personalities involved. The only person. There were obvious problems between Hamilton and Joe Califano. Califano had been all over town saying what a terrible person Hamilton was. So there was a lot of stuff. So I’m not saying that the departure of one or more cabinet officers was or wasn’t—so there’s the merit side of this. Which is very much like what Obama’s just gone through, which is really change some things. Then there was the public presentation part of it, which you just can not defend. For whatever reason, the appearance it was given here was just like the country’s falling off a precipice. It couldn’t have been handled worse. At least we get to be instructive to everybody. I’ve seen these things happen in every subsequent administration. I’ve never seen them handled quite as disastrously as we did. But on the one hand, we didn’t have our own example in front of us when we did it. So there was every bit as much reason to do something as there just was in the case of Obama, who changed his chief of
staff and some other things are going to happen. But the way it was happened, and having it anywhere within the same timeframe as that speech.

Sharma: And close to the election, too.

Carp: And close. From a presentational point of view, it couldn’t have been done—Obviously, I’m not saying anything. We should talk about something else. You don’t have to be smart to know that. But I don’t think it had anything to do with the speech, and I don’t think there’s any evidence that the bad stuff had anything to do with the speech. I think it totally had to do with the way the cabinet reshuffle was handle. Because I think most people will say any president’s got a right to reshuffle his cabinet, any way he wants to do it. But I think the way it was presented was extremely unfortunate; and hopefully, it’s being taught in schools of—

Sharma: Well, I think one way to think about it is that there was a relative degree of continuity in the first three years of the Carter administration. Whereas we’re more or less used to people leaving administrations within one or two years, that didn’t necessarily happen in the Carter years.

Carp: That’s correct.

Sharma: It happened later on. So the sort of normal personnel matters were bottled up to a later date. People weren’t allowed to sort of ease out.

Carp: Yes. Again, this is subject from today. We carried cabinet government to a complete extreme. It’s now, in my judgment—not just in this administration—but sort of recently been carried to the opposite extreme. I think it has its own bad impacts.

Sharma: Okay. Well, let me just ask you a few questions about the organizational aspects of the Carter White House. This is something I know you talked extensively on in your Miller Center interview, but if we can just get a bit of it now. You came in and you worked for the domestic policy staff. Can you describe exactly what that was and its role within the White House decision-making apparatus?

Carp: Well, as far as I know, earlier presidents have had all kinds of different kinds of domestic assistants. Bill Moyers was running around. But it’s individual, mostly ad hoc. Nixon changed all that, and he created this thing which he called the Domestic Policy Council. It had an executive director, the first one of which was the illustrious John Ehrlichman. The domestic cabinet were the members of the Domestic Policy Council. There was a big staff. He was
assistant to the president and he was also the executive director of this thing. And it performed a very useful function. Almost nobody in government knows how to write short. And if you’re a president who likes to know what’s going on and there’s nobody around who can write short, you’ve got a real problem. So really, the purpose of this group was people can write short. Summarize, do a decision memo—Ford preserved the Domestic Policy Council, as best as I can remember, pretty much unchanged. When we came in, so we had this structure and we had this budget. But this was Nixon’s thing; we had to change it. So even though President Carter was the biggest cabinet-government president we have ever had in American history, or probably ever will have, we had to make a change, so we got rid of the cabinet officers; and instead of being the Domestic Policy Council, because there was no more council, it was the domestic policy staff. So we were a staff operation. And Stuart had two deputies. One was David Rubenstein, who now is the chief person endowing the Kennedy Center; and me—I can barely make my car payments. David was kind of most responsible for liaison with the White House staff, and I had day-to-day supervision of our professional staff and was the principal interface with the agencies. Stuart was assistant to the president and director of the deputy domestic policy staff; and I was the deputy director of the domestic policy staff. Then pretty quickly, I became a deputy assistant to the president, because by going on the White House payroll, I could do some campaign-related things in 1978 that I would not have otherwise been able to do. Every piece of paper on domestic policy, which did not include every piece of economic paper, went through our staff process. On the other hand, Carter, as I think I said, he came in committed to cabinet government and he meant it, and no one in the White House could issue anything remotely resembling a directive to anybody who didn’t work either for us in the White House—you could lobby, but you could not and did not tell people what to do. I don’t mean us, I mean whoever was the chief of the staff at the time, Stuart, anybody. We really had cabinet government, in a way that they hadn’t had before and in a way that they haven’t had since.

Sharma: You had a president who was interested in reading a lot, too and getting involved in every—

02-00:41:23

Carp: Oh, totally. Totally. But he was a very good reader and a very good decision maker. I guess the other thing I always say when I’m interviewed about Carter is that loss of Bert Lance probably hurt the Carter administration as badly as any other single thing.

Sharma: Yeah. I wanted to ask you about this. We had a chance to interview Jim [James] McIntyre, who took over as the director. But he said that Lance served as much more than OMB director, more as a sort of close personal advisor. How did Lance’s departure impact operations?
Well, Jimmy Carter was and is a person of rectitude and a person of analysis, and not a natural politician. So the thought, to Carter that, well, I think A is right, but Senator Nelson over here, he thinks B is right—B is *really* important to Senator Nelson; A is like one of a million things we’re working on. Maybe we should let him have his way. He did not have a mind that worked that way. But Bert Lance, who’d been up with him in Georgia politics and ran his roads commission, could get him to think like that. Others in the group, he’d say, “Well, wait a minute, Bert. You’re telling me we should do the wrong thing.” “Well, we did decide to not adopt that approach, but— I guess we did decide it was—Oh, shoot, I’m sorry I recommended you do the wrong thing.” And Lance had that kind of a relationship and was his friend. Mondale could do that, too; that was about it. But Mondale obviously didn’t feel like he could do it too often. Lance was a stitch. You’d go in there for a budget review and there would be all of the OMB PADs, and they would be sitting over there. The President would like here, where I am. Lance would be right here. And every once in a while, we’d give in the arguments; he’d say, “You know, Mr. President, I’m not sure OMB is right about this.”

Yeah. Didn’t make him popular in the agency, but yeah.

Actually, everybody loved him. You come to these jobs, you have a certain amount of relationship. To lose Lance was a big loss.

Almost like losing a chief of staff.

Someone who had a peer relationship. But this is somebody who had sort of a peer relationship with him, and who also was a natural politician, in a way that Carter was not, and who enjoyed it in a way that Carter did not. Losing that, that was a big loss.

There was a generational difference?

Who knows how stuff like this Kennedy thing would’ve come out? Who knows? Every anti-politician needs a politician. Carter kind of was an anti-politician, and in many ways it served him well. But when he lost Lance—there were a lot of other people who were close to him, people like Charlie Kirkbo, and who’d known him for a long time; but nobody who had sort of just a gift for this other stuff, the way that Lance did. A lot of this stuff that people speculate about, I don’t think we’ll ever know how some of this. Lance made him a much better politician.

Better politician.
Carp: Jim McIntyre was a fine OMB director, but he’d be the first to say—

Sharma: There’s a generational aspect to it, too, right?

Carp: Correct.

Sharma: You guys were all fairly young.

Carp: Correct.

Sharma: One more substantive thing I want to ask you before I turn it over to Martin to do some follow-up questions. In the late 1970s, towards the end of Carter’s tenure, he started ramping up defense spending. Ramping up might be a little overstatement, but increasing defense spending. Do you remember how this came about? I think it preceded the Soviet invasion of Afghanistan. Do you remember what the thinking was, with regards to defense expenditures, in the White House?

Carp: What I know is that I used to get to have breakfast with Bob Gates. He was the world’s nicest and most impressive guy then, who would come down and have breakfast at the staff table. All I really know about that is that Harold Brown was incredibly well respected by everyone. I certainly don’t think there was ever any left-right debate within the Carter White House about whatever was being done about that. Beyond that, it wasn’t my business. It wasn’t my business. We might’ve gone in there and said, we need more money for day care, but we never went in and said, we need more money for day care; you better take it out of. I have to say, Mondale was obviously very deeply involved in all that day care stuff, and supportive of it. He had his own record as a defense budget cutter. But as I say, people loved Harold Brown, and I don’t ever remember us either objecting to it or being sort of called on by our constituents to object to it. But maybe it’s just all lost in the fog of time.

Sharma: Well, I think at the time, too defense expenditures were relatively low. They had come down from the World War II era, to be historically low, so it didn’t take up the massive amount of the budget that it would subsequently. You obviously, then, had a role in the 1980 campaign. Can you describe that a little bit, and then what you thought, your take? You’ve mentioned a little bit already about the economy and then the hostage crisis being determinative.

Carp: Well, for a long time, we obviously hoped very much that Kennedy wouldn’t get into it. Everybody on sort of our side of the White House tried very hard, did everything we could do to persuade not just Kennedy, but this group of
people—the labor unions and all these kind of people. I think that the people in the Democratic constituencies who worked the most with Washington thought that what was happening was crazy. But it was kind of a fever. A lot of smart people thought that he could win. We never thought he could win.

Sharma: You never thought that Kennedy could win?

02-00:49:39

Carp: Beat us, no. Damage us badly, yes. So the whole thing was extremely unfortunate. I did some traveling. I had a government job, but you could do a certain amount, and I would go to labor events and stuff. I’d go to Pennsylvania and everybody’d say, oh, well, we’ll put this back together after. But it’s hard to put it back together. Oh, I can put it back together with the people who work for the steelworkers; it’s the members that it’s hard to put it back with. So we got all these Reagan Democrats. What was happening to us here was something that’s deeply, deeply dumb. We facilitated in taking away all these Democratic voters. I don’t think anybody who participated in that period and who is a Democrat and cares about the Democratic Party could feel very proud of themselves. We all should’ve found some way to make this work better. I’m not saying that it wasn’t—it had to be, in large part, our fault. It’s a wonderful political forum and you’re supposed to lead when you’ve got it, right? Well, all I can say when you look back on that period of time is that there was clearly a failure of leadership, but there was also clearly a failure of followership. On the big insight, Carter was correct.

Sharma: Yeah, his reading of the conservative move.

02-00:51:22

Carp: And Kennedy was wrong—about where the country is and about the importance of being against waste and the importance of things like civil service reform. If you want to be progressive, at that time—we were right about that. On the other hand, if you can’t persuade your own people, it was a very bad situation. But I do come back to say Carter had a harder job than most people, because the elected officials did not understand that they were all in the same boat. They didn’t understand it. They didn’t understand it until the boat sank around all of them. Now elected officials, they still have their disagreements, but they do all understand that they’re in the same boat and if they sink the boat, they’re likely to all drown. The absence of that perception made it very, very hard for somebody like him, coming in from a different experience, not only coming from the South, where the politics are so different, but being a governor and just the whole thing. He had way too few friends.

Sharma: No, but this is such an insightful thing that you mentioned at the outset, the experience of Democratic congressmen not seeing their fates as tied to the president. This is just sort of an aside. Did Mondale ever intervene? He had such legislative experience.
Carp: Oh, all the time. He spent enormous amounts of time up there. If I think you’re important to my career, I’m going to treat you one way—which is why it’s probably good to be a department chairman or somebody who works for a big foundation, right? If I think you’re just a nice guy, but slightly misguided, I’m going to treat you a different way. I don’t think anybody’s had a better liaison person on these difficult things than Mondale. The other thing that I have to say, that if you’re looking at the politics of the Carter administration, you should not forget, because it’s not unlike what we just went through with health care, and that’s the Panama Canal treaty vote. There, people did vote with us.

Sharma: But it cost political capital.

Carp: And they knew it was going to cost them. It was a huge thing. So then how much cooperation was left? We talked about this a the time. The answer to me is, come on, Bert. Look what we did on that canal treaty. I said at the time, “Boy, I hope this is really important to the political stability of the Western Hemisphere.” Because again, these issues morph, as I think the heath care issue did. It’s no longer about the Panama Canal treaty, it’s about, geez, when 60 percent of us here in Oshkosh think this is a really bad idea, should our senator really be voting for it? Maybe he’s been around too long, right? Maybe he’s gone national on us here. It becomes less about the particular issue than it does about our sort of theory of constitutional government. Not in the sense that they should be impeached, but geez, if most of us think this is a bad idea, maybe—

Sharma: I think there’s another narrative here, and that’s the right’s ability to frame issues in a certain way; to say the Panama Canal treaty’s, now the United States has “kick me” signs on our back.

Carp: Sure. But my point is, every once in a while, you lose the public argument and then you go ahead and do it anyway. Then it becomes a question of, well, geez—

Sharma: How important is it?

Carp: Geez! Is this the way things are supposed to work? I’m just saying. That clearly was a piece of that. That, in my opinion, is why the Senate election was so much worse that year than the House elections, because the House members never had to vote on the Panama Canal treaty. Now, who knows?

Sharma: Okay. Well, that’s great. I wanted to ask you just about what the Carter administration’s views on the Reagan phenomenon were.
Well, to me, I’m kind of an aberration. I’ve always been a huge Reagan fan.

In what respect?

Well, first of all, if somebody’s going to kick your ass, you’d hope they’d be good. [laughter] Secondly, I’m just a Washington political hack, but very important, serious people were writing op-ed pieces about how America couldn’t be governed and we ought to be in a parliamentary system. There was just a huge feeling that sort of being president and looking good at it was beyond the powers of mortal men; and they actually came in there and solved that. I think being the governor of that great big state through the difficult time of the sixties was tremendous preparation. I think he was, to me, a very smart guy. For somebody who was supposed to be completely dependent of his staff, you saw a ton of staff turnover, and he still managed to survive; and even pulled himself out of the whole Iran-Contra morass, surrounded by people he didn’t even know. That’s a pretty impressive thing. He did the country a big favor by proving that the job was completely doable. I will always have great, high regard for him for that. Also just because he was very cheerful, which I think is the right way to do these things. I think Nixon’s the best example of the wrong way to do things. Sort of the paranoid way. He’s sort of the opposite. So I thought he was exactly the right medicine at the right time. Whether he’ll go down as a great president, I don’t know, because the value of that achievement—that is to say, making the system work again, the way it’s supposed to work—may pale with time. Just remember, geez, we had Nixon, who maybe was a success, but he was also a criminal in the Oval Office. Spiro Agnew taking bribes? Then we had Gerry Ford, who’s a nice guy but can’t get himself elected. Then we had Jimmy Carter, who’s got problems. Finally, we had eight years of a guy who was president, got himself very nicely reelected, made the thing work, and we were in much better shape after—

Provided more stability.

To a country that really was thinking this whole institution was in danger of losing its essential sort of institutional support. I think that was very important. If he’d have been a failure, on top of what had gone before—Nixon being mostly to blame—he sort of took the curse of Nixon off the White House. Had that not happened, it would’ve been a huge, huge problem.

Yeah. From our perspective, studying budgetary politics, it’s such an interesting period, especially the first years of Reagan. The success that [David] Stockman had in passing a very revolutionary budget, that 1981, the OBRTA and ERTA austere budget, but also these massive tax cuts. I think I would have a little more critical take. I think it was a successful exercise of
power, but it was in many ways, an overriding of congress. In many ways, it was outright lying to congress to get certain things done. But then at the same time, I think, as you point out earlier, you had a congress that was willing to go along with the president.

Carp: The other I think is interesting to look at, kind of a sub-area of study, is that lame duck. Extremely interesting. Just tons of legislation got passed in that lame duck. David Stockman, if you’re interested in Stockman, was the point person. It was Stockman talking to the White House staff, and we’d sort of say, well, you really want this on your desk? Boom, you get the Alaska Lands bill, all that stuff marked up, all that stuff. Because we sort of say, hey, you want this or not?

Sharma: Oh, interesting.

Carp: Because nothing passed in that lame duck that didn’t have private signoff from the incoming Reagan administration. If you go back and look at it— I’m going to forget some of these things, but just a ton of stuff happened in that lame duck, after the Democrats lost the White House and the Senate. Not unlike this thing we’ve just been through, but I think even more so. He played a huge role in that.

Sharma: Stockman did. Well, do you want to ask any follow-ups? I think we’ve really just covered a ton of ground.

Carp: Good.

Sharma: I think we’re sort of just under two hours. Thank you so much.