Warren B. Rudman

Slaying the Dragon of Debt: Fiscal Politics and Policy from the 1970s to the Present

A project of the Walter Shorenstein Program in Politics, Policy and Values

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Sharma: This is Patrick Sharma, here with Senator Warren Rudman, December 7, 2010.

Rudman: Pearl Harbor Day.

Sharma: Tape One. Indeed. That's true.

So Senator Rudman, I'd like to start off with a little bit of background about your own career and your own life. How did you become interested in public policy?

Rudman: Well, in New Hampshire, the Attorney General is appointed for a five-year term. The Governor is elected for a two-year term. And that goes back, historically, to the fact that the colonials didn't trust the colonial governor, but they did trust the Attorney General, because he generally followed the law. So, I was very involved in Republican politics. A friend of mine got elected governor. I had a very successful law practice, and he wanted me to be Attorney General. So I accepted that post, and I was Attorney General of New Hampshire for about six years. My deputy, by the way, was David Souter, who I eventually nominated to [George Herbert Walker] Bush for the US Supreme Court. He just retired last year. And I was Attorney General for almost six years. Unexpired term for one year, then my own term for five. I could have been reappointed, but I had no interest. I went back to practice law.

In 1979, a lot of Republicans came to me, because I was a fairly active Attorney General, very well known. Attorneys General tend to have a better record to run on than a lot of people, because you're fighting crime. You're doing consumer protection, you're doing all this good stuff, whereas a lot of governors and legislators are raising taxes, and so. I was asked to run for the US Senate against a Democrat named John Durkin, who truly did not represent the state. He was heavily supported by labor, and New Hampshire is not a labor state. So, I ran in a Republican primary with nine people. Including, by the way, John Sununu, who became Chief of Staff to [George Herbert Walker] Bush later. I won that primary fairly decisively. Then ran against Durkin and won by three or four points; it was a good victory. And I had decided myself that I didn’t want to become a career United States Senator. I didn’t tell anyone other than my family, but that I would probably serve two terms. I made that decision before I even got to the Senate.
So that’s what I did, and I had a very successful career in the Senate. I was involved in a lot of historic things, very important things. I was vice chair of the Iran Contra committee with Danny Inouye. Did Gramm-Rudman. Did a lot of other important legislation, and at the end of the twelfth year, I didn’t want to do it anymore. So I affiliated with both my old law firm in New Hampshire and a law firm here, and a couple of years ago, I decided that practicing law was something I didn’t want to do anymore, and when I was approached by Sandy Berger and Tony Harrington, and later Madeleine Albright joined, who had wanted me very much to come and help. What this company does is very interesting. We help American companies who want to penetrate markets overseas. So we do a lot of work in China. We have an office in China. India, the Middle East, Eastern Europe. Most of our people are either retired or left, after ten or twelve years, foreign service, Department of Commerce, USTR [United States Trade Representative], and we do good work here. And it’s very interesting.

So that’s kind of my background. I practiced law in New Hampshire before I was Attorney General. I was born in Boston, but my father moved his company to New Hampshire when I was about two or three years of age. So New Hampshire’s really my home, and I still try to get up there pretty often. That’s my official domicile.

Sharma: Okay. I’d like to zero on just on the development of your own philosophy regarding balanced budget and public finance. Before you entered the Senate, did you think about deficit spending, and how did you think about it?

Rudman: Well, in fact, I ran on that thought. I raised it very early, and criticized the Democrat, who I was eventually to defeat, for paying no attention to it. I guess if I have hobbies, other than those active hobbies like flying my own airplane, playing golf, tennis, whatever, my intellectual hobby has always been history. As I watched what was developing, it occurred to me that we were going to eventually run into a situation where we would end up with hyperinflation in this country, that we would be unable to pay our bills, that we would be indebted to foreign nations in huge amounts of money, and of course, I was right. But that’s always been a concern. That, and defense, because I served as a combat company commander and platoon leader in Korea. So defense and fiscal policy were always the things that I was most interested in. Being a lawyer, former Attorney General, I get to the Senate, I get drafted to a lot of investigations. Served on a couple of impeachment panels, impeaching federal judges, and that sort of thing.

But in terms of my interests, although I had a lot of interests, the deficit, the national debt, and adequate military spending were things that I was the most interested in. And gravitated to the committees that control those things.
With respect to the deficit, did you, as you just said, fear that the inflation of the 1970s was attributable to unbalanced budgets?

Absolutely. There’s no question in my mind, and when I got to the Senate, the debt was a little over $1.5 trillion. It’s now $13 or $14 trillion, and on the way up. And unless we’re careful, we will have a disaster in this country.

Did you think that was a common fear in the seventies?

Not really.

Or were you ahead of the curve?

Frankly, I blame the American people as much as I blame the Congress. They talk a great game. The American people do. I’ve been to hundreds of town meetings. Oh, we’re going to cut federal spending and whatnot. I tended to be a little aggressive at those town meetings, because I wasn’t terribly worried about whether people liked it or not. I didn’t come down here to stay here for the rest of my life. Once you get into specifics, you suddenly realize the American people were against deficit spending, as long as it didn’t affect anything that they benefit from. Which is where we are today. It hasn’t changed. And the Congress is absolutely petrified about doing things with the entitlement programs, which is the core of the problem. If we don’t find a way to fix the entitlement programs, then we’re going to fix them under duress, as opposed to doing them as we should.

And you think this sense of fiscal irresponsibility among the American public has been there throughout the decades, since the seventies?

Absolutely. It’s been there ever since I can remember. The American people talk a great game. They say, well, eliminate waste, fraud, and abuse. Well, that might get you one half of 1 percent. Eliminate foreign aid. That might get you one quarter of 1 percent. But talk about Medicare, means testing, Social Security, and all of those issues, and all of a sudden, they don’t want you to touch that. Well if you don’t touch that, there’s not much you can do. If you look at the federal budget today, my numbers are pretty accurate. Between entitlements and interest and defense spending, you’re up around 80, 82 percent of the whole federal budget. The remaining 18 percent is everything the American people call government. The FBI, the FAA, NOAA, and NASA.
The Congress, the White House, the State Department, and the whole government is 18 going down to 15 percent. Well, you can’t get much by cutting that, and people don’t want to hear that. I still do a fair amount of speaking around the country on that. I do, although I’m trying to cut back on it because I’m getting so sick of airports and travel today. It’s no fun anymore.

Sharma: I’d like you to move on to your time in the Senate, and I was hoping you could help us place you politically. You came in in 1980 as part of this Reagan class.

Rudman: Correct. I came in when the Republicans took over the Senate for the first time in forty years. Reagan was president. Everybody says I was lucky to run with Reagan. Well, the fact is, if you look at the numbers, I outpolled Reagan in New Hampshire. I was the leading vote-getter that year. Also, when I ran for reelection.

Sharma: Did you envision yourself as part of a sort of conservative wave in Washington, or how did you think about it?

Rudman: No, not really. My political philosophy can be easily explained. It used to be the classic New England Republican position. Strong on defense. Strong on foreign policy. Strong on fiscal policy. And very liberal on social policy. Abortion, amending the Constitution so people can’t burn—things like that. I’m a great advocate of free speech. I believe the Constitution means exactly what it says. You know, people refer to me as a moderate. Well, that was really kind of funny in mind, because when it came to defense, fiscal policy, foreign policy, I was as conservative as you can get. But because I was pro-choice, I was a liberal. Makes no sense. And the press is to blame for that as much as anybody. They don’t know how to define things very well. They pick a couple of things, and that’s where they pigeonhole you. Oh, it didn’t bother me, but my voting record was as conservative as anyone on those three issues. It was very liberal on issues of personal freedom, personal choice. But that’s kind of the New England tradition, which is disappearing, unfortunately.

Sharma: Right, and that’s one of the things that I hope we can talk about, the change within the Republican Party.

Rudman: Oh, it’s changing all the way.
Sharma: So, what were your thoughts, at least in the early eighties, about Reagan’s fiscal policy?

Rudman: Oh, I didn’t like it.

Sharma: You didn’t like it.

Rudman: I did not like it. And I voted against some of it. But Howard Baker was an excellent leader, and he thought that because it was so unique to have a Republican Senate and a Republican president, we had to support him, and I cast some votes that I probably am not terribly proud of. But by and large, I echoed Howard Baker’s great line on the floor of the Senate the night that we passed the Reagan tax cuts and budget. He said, “It’s a riverboat gamble.” And it was a riverboat gamble.

Sharma: So there was a sense that the supply-side theory that—

Rudman: Oh, I never believed that for a minute.

Sharma: You didn’t, okay.

Rudman: No.

Sharma: Do you think many of your colleagues went along—

Rudman: Oh, some of them went for it hook, line, and sinker. Some didn’t.

Sharma: Now, it’s a really interesting chapter in American history, the passage of those ’81 bill, the OBRA [Omnibus Budget Reconciliation Act] and then the ERTA [Economic Recovery Tax Act] in 1981. How much of a role did David Stockman’s lobbying, essentially, of Congress play?

Rudman: He was very effective. Very smart. Extraordinarily informed. I’m not sure Reagan could have got it done without him. He was that good. And he knew the Congress. He had served here from Michigan. I didn’t particularly admire
him, because I thought that he played fast and loose with the truth, but you have to give the devil his due. He knew the subject, and he convinced a lot of people, and he was the quintessential supply-sider. I think he and Arthur Laffer probably talked every day. He was just right there.

Sharma: Right. Nevertheless, you did vote for those bills.

Rudman: I did.

Sharma: What was the political context of that?

Rudman: Well, I’ll tell you. Something that people find very hard to understand, they say you ought to be independent. Well, there were certain things I was very independent on. There’s certain lines I wouldn’t have crossed. But here we have this small majority of Republicans, led by Howard Baker, who was just a terribly decent guy, and trying very hard to make it work. You cast some votes because the party needs your vote. This is a two-party system, and it’ll be interesting to see what happens with the president’s compromise with the Republicans. I’ve got serious doubts whether or not they’ve got the votes to pass that. We’ll see.

Sharma: So in a sense, you were voting against your conscious because you were a freshman senator, and this was the—

Rudman: Yeah. Everybody did that. I never crossed certain lines. I wouldn’t vote to ban abortion if you put me on the rack. I wouldn’t vote for certain constitutional amendments to the Constitution, no matter who wanted it. But when you came to, you know, you’re going to buy forty MX missiles or fifty, or you’re going to reduce the tax rate by 4 percent or 2 percent, I didn’t consider those matters of great principle. I didn’t think they’re good ideas, but there’s a difference between voting with your principles and being pragmatic with something that your party is trying to get done.

Sharma: Certainly. Did you, at least at the time, was your opposition to the Reagan tax cuts, say the Kemp-Roth tax cuts, that they were going too far? In other words, did you think that there was some—

Rudman: Yeah, they certainly did, and supply-side economics didn’t work.
Sharma: If you were in charge, would you have thought a tax cut was necessary, just not one of that magnitude?

Rudman: That’s correct. That’s what I would have done. Because you might remember that by the time we got to ’83, ’84, we were in a pretty serious recession. It was not good. Although New Hampshire has always, for some unbelievable reason, fared much better than the rest of the country. The country was suffering.

Sharma: Now, in your early Senate career, you were pretty outspoken against Pentagon waste and corruption.

Rudman: Oh, very much so. Killed a number of major programs that people said couldn’t get killed. Including one that was manufactured in my own state.

Sharma: Really?

Rudman: Oh yeah.

Sharma: Can you speak a little bit about that? What motivated you to make this an issue?

Rudman: Well, my own military experience. I didn’t want to give junk hardware to the troops, because of my own experiences as a combat platoon leader and company commander in Korea. I thought the troops ought to have the very best, and the one that’s been written about the most was a weapons system called the Viper, V-I-P-E-R, which was an anti-tank missile that could be shoulder-held and fired by one soldier. It turned out that it didn’t penetrate the armor it was supposed to. It turned out that the propellant in it, after a year and a half or so, would expire, and I got a good laugh on the floor of the Senate when I said, “I can just see some poor American soldier about to fire on a Russian tank, and checking to see when the weapon has expired.” It was that bad. It took me two years, but I killed that program. I was also instrumental in changing a lot of other programs, and I was very independent. I got lobbied to death by people. But my answer, always right, was, just tell me where I’m wrong. If you can show me that I’m wrong, then I’ll listen to you. But I don’t want to hear about anything else. That’s all I want to hear about. What are the merits of this system that you think I don’t understand? Well, of course, they couldn’t answer, because I wouldn’t pick a system out.
I did a lot of traveling. In my recesses, I would fly all over the world, were they either a Marine Corps colonel, or a Navy captain, or an Army colonel, and we would go to places that I knew had interesting things going on. In Asia, in Europe, and so forth. I learned a lot, because the troops will talk to you. Particularly if you’re a kindred soul, and they know who you are. They knew that I had had a pretty, frankly, distinguished record in Korea. I’m decorated and so forth, and they knew I was going to deal with it. So they would deal with me, and boy, I’ll tell you, I found some interesting stuff going on. But the Viper was most interesting. I finally had to confront Cap Weinberger, who was Secretary of Defense, at a public hearing, and just berate him for DoD [Department of Defense] not doing anything. He was taken aback, and he was taken my surprise, because people didn’t do that to the Secretary of Defense. I did.

01-00:19:01
Sharma: I see. But your concern was focused mainly on the effectiveness of the military, and not a concern about—

01-00:19:06
Rudman: Yeah, I wanted the equipment to be fairly priced, and I wanted it to work. Those don’t seem unreasonable to me.

01-00:19:17
Sharma: But you didn’t have a concern about the massive increase in defense spending?

01-00:19:21
Rudman: I didn’t. I thought that the idea behind it was to force the Soviet Union to recognize that they could not beat us in technology, and they probably couldn’t beat us in the amount of money to be spent, that’d bankrupt themselves, and it would draw them to a more peaceful attitude about their place in the world. Which is exactly what happened.

01-00:19:44
Sharma: Do you think that was the understanding of the strategy, already, at the beginning?

01-00:19:47
Rudman: Oh, I knew what it was. I knew what it was. Reagan was a hell of a lot shrewder and smarter than people gave him credit for. I spent a lot of time with him.

01-00:20:02
Sharma: Did you find it frustrating, in general, to try to deal with the Pentagon budgets and get insight into—
Rudman: Yeah, it was very frustrating, because that’s probably the best lobbying in the world, the Pentagon. They’re awfully good at getting what they want. But they’re also very good at what they do. So you had to be responsible. You couldn’t go and attack some part of the Pentagon budget just to get on the evening news. In my view, you had to have solid factual basis for what you were trying to do.

Sharma: I see. Let’s back to the issue of deficits, real quickly. After the passage of those ’81 budget and the Kemp-Roth tax cuts, it becomes very clear that the deficit is going to start skyrocketing under Reagan. So can you just give us a sense of, from someone on the ground, so to speak, how that played out? Whether within Congress, there was a mounting concern—

Rudman: Well, in a nutshell, people saw, proof positive, that the so-called supply-side theory was not working. The deficit was rising at a historic rate. I remember, I don’t know, in ’83 or ’84, we had to then vote to increase the debt ceiling, and we had to do it again in ’85, which is when we attached Gramm-Rudman to that resolution, which was a really sneaky thing to do, but it put them behind the 8-ball.

Sharma: The shrewd thing to do to—

Rudman: Oh, it put them behind the 8-ball, because we essentially said, we don’t have to win. We just want to vote. And if you don’t give us a vote, we’re going to block the debt ceiling. Well, it put the administration and the leadership in a terrible position. I had some historic meetings down at the White House in which I was taken to the woodshed, but it just made me firmer than ever about my attitudes. I knew that if we get a vote, people wouldn’t dare to vote against it. How could you vote against Gramm-Rudman? How could you vote against trying to reduce the deficit? You’d have to be crazy. Well it got ninety-one votes in the Senate, including Ted Kennedy, and all of the liberals from the Northeast, and in the House, it won overwhelmingly. Tip O’Neil voted for it. It was a powerful piece of legislation.

Sharma: Help me get a sense of why so many people voted for it. Do you think that people felt that this was actually going to be an effective piece of legislation?

Rudman: Oh, absolutely. Yeah. Oh yeah, they did. And it would have been, because it limited the amount of money the United States could borrow. Republicans
were absolutely livid about it, because they’re sure it would lead to higher taxes.

01-00:22:57  Sharma:  The Republicans in the White House, you mean.

01-00:22:58  Rudman:  No. In the Congress and the White House. The interesting thing about that legislation, which you may not be aware of, is we attached it as an amendment to the debt ceiling increase, so the position we took was, we don’t care how you do it. But we’re going to limit the amount of money you can borrow from China, from Saudi Arabia, whatever. It was on a formula base. It went to the Supreme Court. They knocked out one small provision. We took it back to the floor. Fixed that provision. And it saved a hell of a lot of money, and so George [Herbert Walker] Bush decided to walk away from it. Had he not, he would have been reelected. Bill Clinton never would have defeated him.

01-00:23:44  Sharma:  I see. So the so-called failure of Gramm-Rudman-Hollings was that George Bush agreed to that 1990—

01-00:23:50  Rudman:  And members of Congress decided it was too difficult to do what the law called them to do. So there’s no penalty for the Congress disobeying its own laws.

01-00:24:01  Sharma:  Did you anticipate that possibility when you drafted the—

01-00:24:03  Rudman:  Absolutely, oh, absolutely.

01-00:24:05  Sharma:  Let’s just back up real quickly, and if you could describe the genesis of Gramm-Rudman.

01-00:24:11  Rudman:  Well, I had been thinking, during the summer recess, that this debt ceiling extension was coming up. I was really concerned about it, because in terms of percentage of the GDP and whatnot, it was really starting to escalate at a rapid rate. So, I kind of outlined a bill that would essentially control the amount of money that we could borrow, which is the best way to control the deficit. So you want to spend double what you spent? Fine, but either cut it here, or raise taxes here, or don’t do it. So I called Phil Gramm, who was on recess in Texas, who I knew was a very smart economist. And outlined, said it was a great idea. And I called Fritz Hollings, who I knew very well, and he thought it was great. So when we get back at the end of the summer, we got a lot of
outside economists and people on the staffs, and we put together the legislation in great secrecy. Then, the day before the debt ceiling was to hit the floor, we had a press conference and sprang it on everybody. It made huge news, because it was very unique.

The reaction to it from some people, who should have known better, was unbelievable. I remember, that morning, on Brinkley, George Will, who I’ve known well for years, said to me, Senator, you know, this is really an outrageous piece of legislation. Are you saying, you and Senator Gramm and Senator Hollings, that your colleagues, who are elected to do the nation’s business, are you saying to the country this morning on this program that they don’t have the courage to do it, that you’re going to have to put a gun to their head? I said, “You’re exactly right, George.” Which took him totally aback. He didn’t know what to say. But that was true. It was a forcing mechanism. And the first year, it saved, I don’t know. We had a sequester, a word that I don’t know how the hell we came up with it, but [laughter] that was the right word. We cut $4 billion out of the budget in 1986 with Gramm-Rudman, and it was worth something.

But, it was a fight all the time I was there. I admired Clinton, because Clinton had the—I was out of the Senate, I had just left when he came in. But his economic policy, and you had very smart people, like Bob Rubin and whatnot, that I have enormous regard for. They knew it had to be done, and they did it, and had we stayed on that glide path, we would not be in the mess we’re in now. Either that, or Gramm-Rudman. Either one would have absolutely changed history.

01-00:27:28 Sharma: I’m sorry, either what or Gramm-Rudman?

01-00:27:30 Rudman: Either Gramm-Rudman as a piece of legislation, or the Clinton program, had it been faithfully followed. Either one of those would have changed history.

01-00:27:41 Sharma: With the Clinton program, do you mean PAYGO as part of that?

01-00:27:45 Rudman: Yeah, of course, absolutely. That, the tax increases. Nobody likes them, but what the hell? It was obvious that we had to do it. I’m not sure Obama had any choice in what he did yesterday, but I will tell you, we’re going to add another trillion dollars to the deficit. It is frightening, it really is. We could have hyperinflation in this country. People could stop wanting to buy our debt. These are all real. We could look around the world and see where this has happened, and we, evidently—and my party is to blame for it as much as anyone, although neither party has been very fiscally conservative over the last eight years, ten years.
Sharma: How do you think the Republican Party has changed? What is it specifically?

Rudman: Well, the Republican Party doesn’t like taxes. There are enough smart people there that know that there’s a limit to how much tax cutting that you can do and keep the country healthy. They don’t seem to care. The Democrats have been almost as bad on the spending side as the Republicans have. George [Walker] Bush never vetoed an appropriation bill. Which I find remarkable, because some of them were so full of fat that they obviously should have been vetoed. So, I have not been pleased with what’s been going on since Clinton left office. I thought that he was a damn good president.

Sharma: Did you see this transition within the Republican Party, specifically with respect to avoiding tax increases, already starting to take place in the ‘80s during your tenure?

Rudman: Oh, absolutely. Yeah. Starting with Kemp-Roth, and then going on. Of course, [George Herbert Walker] Bush did raise taxes a little, which is probably why he got defeated, but he didn’t know how to communicate that very well. Clinton was very, very clever in how he structured his campaign, because the economy had really come back a long way by the time of the election. If you look at the numbers, which I [coughs] have a lot of research data, which I downloaded into my computer, and most of it from Office of Management and Budget, some of the good think tanks. You look at some of these numbers, and you recognize this country was not in trouble when Bush was defeated. It was well on its way to getting out of trouble. But that’s politics, I guess.

Sharma: I see. Let’s go back a little bit to the genesis of Gramm-Rudman-Hollings, and I’ve got to ask why you reached out to Phil Gramm, of all people, because my reading of it was this was someone who is instrumental in pushing the Kemp-Roth tax cuts and actually getting them effected.

Rudman: Well that’s exactly why. Because I said to Phil, look what the hell you’ve done.

Sharma: Oh really? [laughter]

Rudman: You’ve got to fix this. [laughter]
Sharma: You owe it to America.

Rudman: Absolutely. He also—I thought we needed several kinds of talent to get this bill through. I’m not an economist, although I’m an amateur one, I guess. But he’s a damn good economist. He’s smart as hell. He understood all that. But, he wasn’t terribly well liked, for a lot of reasons. I was quite well liked on both sides of the aisle, and I also had a much better way of debating issues than Phil did. So that’s why I picked him. And Hollings had always been a fiscal conservative, and I thought to get a Southern conservative Democrat on that bill would be a good thing to do. That’s the genesis of it. Nothing dramatic. I didn’t wake up in the middle of the night and suddenly saw lightning strike outside my house. I just got to thinking about it during the summer. In fact, I remember very clearly thinking as I was out fishing on Lake Winnipesaukee, and I’m just casting for trout, and I’m thinking, we ought to be able to do something that would really be exciting, that really knocks the country on its ear, and make people pay attention. And incidentally, I saw something very interesting. In one of the databases the other day, Gramm-Rudman-Hollings still holds the record for the number of items about it in the electronic and print press, in the history of the country.

Sharma: As a piece of legislation?

Rudman: Yeah. Used to be Taft-Hartley.

Sharma: Wow. I had no idea about that.

Rudman: Oh yeah. It used to be Taft-Hartley.

Sharma: Is that just because there was such a pushback against it—

Rudman: I don’t know how old you are. How old were you in 1985?

Sharma: Three. [laughter]

Rudman: Yeah. Right. I got to tell you that this was unbelievable. Phil Gramm and I, I think we did over 300 radio and television interviews. 300! That’s a lot. In a space of a couple of months. And we were working eighteen, twenty hours a
day. Of course, if you go back and look in any of the major newspapers, you’ll find, every day, there’s a new story about it.

Sharma: Did you see this as an effort to educate the American public about the danger of deficits, or about the specific ways to—

Rudman: It had a dual purpose. One, to educate the American people and the Congress about the danger of the deficit and the debt. And two, to do something about it. This was not an exercise in politics. This was an exercise in substantive legislating. A very complicated piece of legislation.

Sharma: An idea for a balanced budget amendment had been circulating already for years by the time. Was that something that you felt would be ineffective?

Rudman: I thought it would be very ineffective.

Sharma: Why?

Rudman: Well, number one, I never thought it would pass. I just never thought it would get the vote. Number two, we didn’t need a constitutional amendment to balance the budget. All we had to do was spend less money or tax more. One of the two. We didn’t need a new amendment to the Constitution. It’s the haven of scoundrels. “Well, let’s amend the Constitution,” as if that’s going to fix it. No, I never believed that.

Sharma: Now, with some of the details about Gramm-Rudman-Hollings are really fascinating, particularly the one to one ratio between projected sequestration and defense versus discretionary spending. Do you have a sense how this was determined, whether—

Rudman: Negotiated, mainly. The negotiations to get the final legislation to be voted up or down, or carried on by a great friend of mine, who’s now director of the CIA, Leon Panetta. Who was chairman of the budget committee in the House at that time. Les Aspin, who was chairman, died very young. Les Aspin from Wisconsin, who was chairman of the armed services committee. Gramm, myself, Hollings, Lloyd Bentsen. Great, great senator from Texas who died a couple, three years ago. We carried it out in the Speaker’s office over the space of almost two weeks.
Sharma: Negotiating the specifics—

Rudman: The specifics, and I can’t tell you, I’d have to go back and look at all of my notes, which were archived, as to why we made certain decisions. But we were going to get some legislation. We had to make some compromises. One of the things that really bothered me, but I came to the conclusion that we couldn’t do it, is that the entitlements were all exempt from Gramm-Rudman, and that was wrong. But that was another example.

Sharma: Was that decision made because that was political, that otherwise it would never have passed?

Rudman: The politcals was the third rail of American politics. People wouldn’t vote for that.

Sharma: I know George Mitchell, actually, after passage, I think, of Gramm-Rudman, came on board saying that well, we should actually include automatic tax increases as well as spending cuts. Was the idea of—

Rudman: Yeah. I was there when he said it, sure. George and I are great friends. That wasn’t going to happen either. Republicans were going to filibuster that. So he recognized. Because he voted for the bill, he believed in the bill. Most people believed in the bill. It was political survival. If you’re going to vote to increase the debt ceiling to $2.5 trillion, you got to say yeah, I voted for that, but look what I did over here. It was political cover for people, which, frankly, if I might say this, was the genius of the bill, because it gave people something to hang their hat on. Because voting to increase the debt ceiling, the American people understand that. We’ve already spent the money, of course we have to increase the debt ceiling. But they don’t want us to. You should see the phones light up and the mail come in when we’re considering raising the debt ceiling. It’s unbelievable. Oh, they don’t want it done. Don’t borrow any more money. Well, folks, we’ve already spent it, so we better damn well borrow it. Or maybe you don’t want your Social Security check next month.

Sharma: Yeah. This is what happened in the Clinton administration, and then, I guess, what’s being threatened now.

Rudman: Absolutely.
Sharma: It’s always going to be touchy. Was that a conscious decision, to tie to the debt ceiling, and whose idea was that?

Rudman: Oh, absolutely. That was my idea. Oh, absolutely. The reason is because you knew that that was going to have to come to the floor, and there was nothing they could do to stop it coming to the floor. Well, if you can attach an important piece of legislation to something’s that going to leave the station and arrive at the destination, that’s a hell of a lot better than just putting it on its own, where the leadership can say to hell with it. We’ll just take it off the floor. Nothing you can do about it. Majority leader controls what’s on the floor. If he wants to pull it down, nothing you can do to get it back up again.

Sharma: In your memoir, and the majority leader at the time was Bob Dole, if I remember correctly.

Rudman: Yeah, oh yeah.

Sharma: If I remember right, your memoir alludes to Dole’s difficult position as trying to intermediate you and his own inclinations towards balancing budget, and the Reagan White House.

Rudman: We had a historic meeting at the White House. I think I covered in the book, I’m not sure, I haven’t read the book for a long time. But, we went down. Bob Dole, Phil Gramm, me. One of Bob’s senior staff. And we went in the Oval Office, and we sat down with Meese, Jim Baker. Reagan. I forget who was head of OMB [Office of Management and Budget] at that time.

Sharma: Jim Miller, I believe.

Rudman: Jim Miller. You’re right. Reagan had a personality that just was unbelievable. You couldn’t help but love that guy. You couldn’t get angry at him. It was impossible. He sat down and he had a bunch of cards he was reading from. I always wondered why he needed those cards to talk about something that was of fundamental, and he understood. But he had them. Basically, what he said to us is, look guys. You can’t do this. You can’t hold up the debt ceiling. This bill is not very popular. And he was wrong about that. On and on and on. He said, “I am asking you to withdraw your amendment. And Bob Dole had assured me that it will go back on the floor sometime next year.” Well, I knew that was a promise that Dole couldn’t enforce, and Reagan couldn’t enforce.
I looked at Phil Gramm, and Phil was pale white. He’s from Texas, and he loved Reagan, and he had known Reagan longer than I have. There was a long silence. I wanted to see if Phil wanted to say anything. He didn’t open his mouth. And Reagan looked at me directly, and so, “What do you say boys?” That was his, that “What do you say, boy?” I said, “Mr. President, as much as I would like to do something that you would like done, I cannot do that. It is my opinion”—oh, Miller was there. I remember that, because I remember he really lit on me after the meeting outside the West Wing. I said, “I’m sorry. But your staff is telling you what you want you hear, not what you should hear.” That’s what I said to the President of the United States. And he got red-faced. He said, [slams fist on table] “Well, I guess the meeting’s over.” I said, “Well, I guess it is.”

So we walked out of there. Bob Dole turned to me. He’s a great friend of mine, and still is. He said to me, “You got a lot of balls.” [laughter] I said not really. I said, I just couldn’t do that. And Phil Gramm said, well, you know, you didn’t have to be that blunt. I said, “Phil, I’m sorry. I had to make it clear to him that he was getting the wrong information.” And he’s got the wrong information. If he is what I think he is, then he ought not to be opposing us. Then, of course, what’s interesting is it passed, and in the State of the Union, he raved about Gramm-Rudman, and recognized Phil and I, who were sitting down right in front of him, and asked us both to stand, and did it following year as well! Then, of course, they tried to sign it in the middle of the night, and then the press went crazy, and then they had a formal signing. I’ve got the pen in my office. But that’s typical of what happened. We got beat up by a lot of people, a lot of people.

01-00:42:27
Sharma: And Jim Miller was upset at you for—

01-00:42:29
Rudman: For being that blunt with the president. Maybe I was supposed to get down on bended knees and start crying and say, oh, Mr. President, I’d like to help you. I talked to him like I’m talking to you. I just said, that’s the way it is. I’m not going to—

01-00:42:41
Sharma: There is an interesting thing about the information flow within the Reagan White House regarding the budget, that it seems in retrospect that Reagan was fooled, essentially, by Stockman’s—

01-00:42:51
Rudman: He was. By Stockman, and to some extent, I’m not sure Jim Miller tried to fool him, but I don’t think he ever really had a presentation that made him understand how serious this was, because what we were looking at was the percentage of the GDP of the debt.
Sharma: Right, the debt as a percentage of GDP.

Rudman: Yeah. A lot of economists have written about when it reaches certain lines, you get those lines crossing, you’re starting to put yourself in jeopardy. Things don’t work the way they’re supposed to work. That was my concern, and I will never, ever, ever forget that meeting in the Oval Office. We repaired it, and we became good friends. Reagan called on me on the bounds of his term on a couple of three occasions to help him get things done that he just had to get done that he couldn’t get done, and Howard Baker and Bob Dole both recommended that he ask me to be on the team to get it done, because [coughs] I have good relationships with all of my colleagues on both sides of the aisle. Never made a personal attack on anyone in the Senate. Ever, ever, ever. I just wouldn’t do that, because look. Everybody gets elected. It’s a hell of a thing to get elected to the United States Senate, I don’t care where you’re from. You got to have some redeeming value if you get elected, although there are some I’ve always wondered about. [laughter] But you don’t personalize it. And I never did. I never do.

Sharma: I guess we’ll ask Phil Gramm this when we get to interview him, but do you think he had any second thoughts after this meeting with Reagan about—

Rudman: I’m not sure, I’m not sure.

Sharma: But nevertheless, he was on board.

Rudman: Oh, he was on board, he just didn’t want to be the guy that delivered the bad news.

Sharma: Right, so you sort of took the messaging lead.

Rudman: Yeah, I mean, I looked at him, and I figured, if he wanted to speak first, it’s okay with me. But he didn’t, and I just looked at the president and said, I’m sorry.

Sharma: During this period, did you have a hard time convincing your colleagues in Congress to support the—
Rudman: Absolutely not, because they were getting a fig leaf.

Sharma: I see. It wasn’t just because it was tied to the debt ceiling? You think if it had managed to come up to a vote independent of the debt ceiling—

Rudman: I don’t think it would have passed.

Sharma: You don’t think it would have passed.

Rudman: No, no, I don’t. But you’re going to vote for something the American people absolutely don’t like, you’re going to vote to increase the amount of money that the US government can borrow. Every poll shows they don’t like that, and that’s why there’s so much foolishness that goes on up there about this. How are they going to do it this year, I have no idea. With all these Tea Party people, I have no idea how they’re going to get it done. But they have to get it done, or the government shuts down.

Sharma: Otherwise we’ll be insolvent, right.

Rudman: So, I knew that if you could give people something that will make them feel better about voting for that, then they would probably vote for it whether they liked it or not. I don’t think Ted Kennedy and Tip O’Neill liked Gramm-Rudman. But, even guys of that stature recognized that they were vulnerable on this vote. Everybody was vulnerable.

Sharma: So why do you describe it, then, as a bad idea? What was bad about—

Rudman: Well, because basically, you shouldn’t have to have a statute that causes people to do what they were elected to do, and that’s to be responsible. That’s what I said.

Sharma: Unless they weren’t elected to do that, right? Which is {inaudible}

Rudman: Well, nobody was elected to spend the country into bankruptcy. Nobody was elected to do that, and that’s what we were doing. No, I thought it was a funny remark, but I thought there was a certain element of truth to it.
Sharma: Do you remember any of the debates about certain timeframes for balancing the budget? Some people wanted, say, do it over a ten year span versus shorter.

Rudman: Oh yeah. I forget, I’ve got voluminous notes about this, and most of them are archived now. Yeah. Everything had to be negotiated. Every comma. It was the most excruciating negotiation I’ve ever been in in my life, and it lasted for two weeks. All day, all night. Over in the House side, mostly.

Sharma: I see. Oh, in the House?

Rudman: Yeah, we sat in the Speaker’s office. We had a big conference room there, and we sat around that table, and we hammered out the final version of the bill. I knew we were going to have to compromise. Phil didn’t want to compromise on anything. I said, Phil, we have to. You want to get this done. It was an exciting time. We were both freshmen, by the way.

Sharma: That’s right, you were nearing the end of your first—

Rudman: We were both freshmen. I was up for reelection the next year, and my staff all said, you’re crazy. You’re going to get defeated. Because, I don’t know, you were three years of age, but all of the—and you weren’t a hell lot older. But all of the press was about how we were going to close schools, we were going to do this. It was going to be the most disastrous things that ever had happened to the country. All the labor unions put that out. You go back and read some of the press on Gramm-Rudman in the fall of ’85, you’ll find it unbelievable. I remember a group of nuns who came to my office to see me and brought the press with them, and we were going to close their school. They didn’t get one penny of federal funds at that school! Not one dime. They came and told me that if I did this, they would have to close the school.

Sharma: Were there any constituencies supporting your position? I don’t know how would it be, exactly. Certainly now, Wall Street, at least, is a big presence supporting deficit reduction.

Rudman: There were business interests that supported it strongly, because they saw what could happen. But the amount of propaganda that was put out about this that tried to kill it was just unbelievable. We’ll close highway construction in New Hampshire, we’ll close the schools. Health benefits would get cut.
Things that were just not even possible. And that’s when I came up with the line on television, that Gramm-Rudman was not about more of less, it was about less of more, because every year, the budget went up. It simply put a limit on how much you could borrow. You could get to this point. If you want to go to here, you couldn’t go out and borrow the money. All it did was put a limitation on borrowing. That was the genius of that bill.

01-00:49:58
Sharma: Slowing the growth. The rate of growth.

01-00:50:00
Rudman: That’s right, exactly right.

01-00:50:02
Sharma: So your staff, at least, saw it as a political loser, that you were putting your neck out on the line?

01-00:50:06
Rudman: Absolutely. My AA thought I was crazy.

01-00:50:09
Sharma: But in retrospect, you won that reelection.

01-00:50:11
Rudman: Overwhelmingly.

01-00:50:12
Sharma: Do you think that the passage—

01-00:50:14
Rudman: The average American liked that bill when they finally understood it.

01-00:50:18
Sharma: So it helped you in your reelection bid.

01-00:50:19
Rudman: Absolutely. I got 70% of the vote or something. Then when I came up to run for a third term, the week before I announced that I wouldn’t be running for a third term, the Democrats announced they would not oppose me.

01-00:50:36
Sharma: [laughter]

01-00:50:38
Rudman: I had a free run.
Sharma: So why exactly did you decide—was this in keeping with your earlier pledge?

Rudman: No, twelve years is enough. I didn’t want to do it anymore. I didn’t want to do it. I’ve been there, done that. Pretty successful at it. Had a good reputation. Chaired the ethics committee. Did a lot of interesting things, and that was it. Enough was enough. What do we got for time here?

Meeker: We have ten minutes left on the tape. How much time do you—

Rudman: I don’t have a lot more to say, unless you’ve got—

Sharma: Well, I do have some more things about Gramm—it’s such a fascinating piece of—

Rudman: Yeah, but it’s hard for me to remember. Definitely my friend, ’85, let’s see, in ’95—

Sharma: Well, you’re pretty good.

Rudman: I’m eighty years of age, which is hard for me to believe, but I am. I still work out, fly my own airplane, still pretty good. I’m shooting my age in golf, which is pretty damn good.

Sharma: That’s pretty good, yeah.

Rudman: But, my memory is not what it used to be. It’s pretty good.

Sharma: But, I think understanding the political atmosphere and the messaging about this is so important. It’s so relevant today, and it’s really the conundrum. It’s a really interesting thing, I think, the United States, as being a powerful country, doesn’t have its hands tied like many other countries who have budget problems do. There isn’t going to be the IMF coming in and tying our hands, this has to be done.

Rudman: Well, it could happen. [laughter] It could happen.
Sharma: Maybe, yeah, in some of the out years.

Rudman: It’s not out of the question, the way we’re operating.

Sharma: Just quickly, the Reagan administration’s tepid support—

Rudman: Tepid support? No, strong opposition.

Sharma: Strong opposition. Do you think this was motivated by the disproportionate amount of defense cuts that there would be with this situation?

Rudman: Absolutely. The Democrats, if they were for it, they were for it because it would cut defense spending. The Republicans were for it because they thought it would cut social welfare spending. Neither was necessarily true. It depended on the body politic and how it wanted to divide the money. It turned out that the cuts were fairly uniform and probably happened in the right place. But oh no. The animosity with the Reagan administration was palpable.

Sharma: But you, as someone who was a supporter of the military buildup, did you feel conflicted at all about—

Rudman: Totally. But not to the extent we’re going to go borrow another X billion from Saudi Arabia to buy some more missiles.

Sharma: Did you think at all, at that time, the defense that had been sufficient, that—

Rudman: Yeah, I thought we had done a pretty darn good job, because I was on the defense appropriations subcommittee, and we did the actual appropriating. No, I thought it was worthwhile, and I thought what we did was important.

Sharma: Okay. Even though it ended up not being a major issue, the unconstitutionality of the GAO [General Accounting Office]—

Rudman: One section of it.
Sharma: Was that something anticipated?

Rudman: Yeah, absolutely. We thought it would happen. We weren’t sure, but we thought it could.

Sharma: And the redrafting, then, in ’87—

Rudman: We got it redrafted.

Sharma: Was that a difficult process?

Rudman: No, it really wasn’t. Because at that point, people saw there weren’t too many mechanisms going on in this town to try to reduce spending, and a lot of people wanted to reduce spending.

Sharma: I see. In retrospect, I guess, what would, if anything, would you have done differently with regard to Gramm-Rudman-Hollings?

Rudman: You know, I haven’t thought about that one, but had we been able to, and I’m not sure we would have been able to. But had we been able to put a provision in there that would have made it more difficult for Bush 41 and the Congress to essentially run away from that bill, we would have done that. But we thought about it at the time, but we didn’t have time to come up with something that we thought would be constitutional. That’s a problem. There’s a point to which you can’t tie the president’s hands, and probably shouldn’t. Even though, in a particular case, it might be worthwhile, it’s not a very good precedent. No, I can’t really think—other than that.

Sharma: With just the few minutes we have, how exactly did George Bush 41 run away from the targets?

Rudman: Well, they broke the caps, and they had the meeting at Andrews, and he broke his pledge about “read my lips,” and they raised taxes, which was okay, but then they essentially broke the borrowing ceiling, as I recall. Now, what are you going to do, arrest the president? [laughter]
Sharma: It’s interesting, because it was superceded by the new PAYGO regime, which many people have credited with, at least, being more flexible and having greater success over the long term.

Rudman: Of course, Gramm-Rudman contained the germ of that. It had a PAYGO. It was a zero base game, a zero sum game. You want to spend more money here? Then cut it here, or raise taxes there. It was the same. Called different.

Sharma: Okay, that’s an interesting way to conceptualize it. Yeah, definitely. The 1987 budget summit that happened after the stock market crash. I don’t know if you remember—

Rudman: I remember it very clearly.

Sharma: Were you involved in that summit at all?

Rudman: I was not. Well, I shouldn’t say I was not. I was asked to attend one session in an area. I forget what Dole had asked me to do, but I was involved, but not heavily. It was mostly leadership and committee chairmen. I wasn’t here long enough to pick up a lot of seniority. Not that I wanted to. I didn’t care. Some people care about that. That didn’t mean a damn thing to me.

Sharma: Not if you’re already planning on leaving.

Rudman: No, I’m going to leave at twelve years. That’s enough.

Sharma: Well, I’d like to keep going. I don’t know if we should change the tape.

Rudman: Well, I think I’ve given you an awful lot of stuff. Anything I’m going to give you now is going to be duplicate.

Sharma: Maybe you can help us conceptualize the project in a broader sense.

Meeker: I would like to change the tape. Could we get ten, fifteen more minutes?
Rudman: Yeah. What time is it now?

Sharma: It’s 11:20.

Rudman: Yeah, I’ve got about ten or fifteen, because I got to get prepared for this meeting I’m going to.

[End Audio File 1]

Warren Rudman Interview #1: December 7, 2010

Begin Audio File 2 rudman_warren_02_12-07-10_mono.mp3

Sharma: Okay, well, let me just pick up on my colleague Martin’s point here. This is tape two with Senator Warren Rudman. There is a critique of Gramm-Rudman-Hollings, that it was too inflexible. That it didn’t provide enough leeway for increases in deficit spending during times of recession and war. Especially when compared to PAYGO, which was, apparently, a much more flexible type of system. Do you agree with that?

Rudman: Yeah, that’s probably true, but I didn’t worry about it, because I knew if that ever happened, the Congress would do what it had to do anyway, which they did. Members of Congress don’t worry about violating a law that they passed the day before. They don’t worry about that, because no one’s ever been indicted and put in prison for that. Not yet. So, no. The answer is yes, but it didn’t make a hell of a lot of difference. If this country had had a real crisis, then in ten minutes, they could have waived the provision on the floors of both houses.

Sharma: There were, of course, some mechanisms within the bill for a recession.

Rudman: Oh yes, there were. Absolutely.

Sharma: Then thinking about the issue of the US national debt in a broader chronological perspective, you spoke, before we started rolling the tape, about how our current situation is really the product of decisions taken after 2000. Can you expand on that a little bit?
Rudman: Yeah. I think the [George Walker] Bush tax cuts were too large. I think the Bush spending policy was irresponsible. And I think the Congress contributed to it, and the president should have exercised more fiscal discipline over the Congress. Could have vetoed some bills that needed vetoing. Didn’t. And both parties are equally to blame. This is not something that you can blame just the Republicans or the Democrats, because they both were profligate in their spending. This is why we’re where we are.

Sharma: I see. Why do you think the Bush administration made this calculation, essentially, to behave—

Rudman: I’ve never figured that one out. If you look at the people, and I know most of them. Even look at him. It defies logic as to why they did that. They just didn’t seem to care. You got Cheney saying deficits don’t make any difference. I don’t know what the hell he’s reading, but he’s the only one I’ve ever heard that has said that. Of course they make a difference. What I worry about is if this debt gets much higher, I worry that we are going to have trouble selling US securities overseas. I really worry about that. That is not an idle worry. That’s a real possibility.

Sharma: Then having to charge higher interest rates?

Rudman: You start jacking up those interest rates, and you look at the amount of debt we’re carrying, it’s a problem.

Sharma: Not to mention the interest payment, in and of itself, is taking up a decent share.

Rudman: It’s enormous, it’s enormous. Think, that the interest payment right now, even with lower interest rates, is about equal to all of the collections of the IRS in personal income taxes.

Sharma: It’s incredible, we were just talking about it this morning. It’s number three or four item on spending. It’s really amazing.

Rudman: Oh yeah, oh, definitely. That’s a huge problem.
Sharma: Before, even with interest rates being so low. To me, it seems as if the Bush administration’s fiscal irresponsibility was a shrewd political calculation, and that they know, in essence, that despite the American public’s stated aversion to deficits, they don’t really care.

Rudman: I think that’s right.

Sharma: I know you’re a founding member of the Concord Coalition, so where can the discourse be—

Rudman: I’ll tell you what I think. It’s not a very pleasant story, but I’ll tell you what I think. I don’t think we’re really going to address this problem head-on until we have a major fiscal crisis in the country, and we have no choice. I have thought that for a long time. I have been laboring in the vineyards with the Concord Coalition, traveling all over this country. I have spoken, along with Paul Saunders, before he died, and now, Bob Kerrey and Sam Nunn when he was my co-chair. I’m kind of co-chair for life, I don’t know. But we have been everywhere. University of California Berkeley. USC, Stanford. We’ve been all through the big Midwest universities. Young people have been very interested in our message, but nothing happens. And I am afraid that we’re going to have to have either hyperinflation, skyrocketing interest rates, something. That’s going to put our backs to the wall, and then everybody’s going to do what they know they have to do. I have lost faith that we can do it voluntarily. A terrible thing to say. But I’ve been doing this thirty years. That’s a long time, a hell of a long time.

Sharma: So how do you read the Erskine Bowles, Alan Simpson deficit commission?

Rudman: I told Alan, who’s a great friend of mine, that it’s a great idea, but it’s not going to happen. Not going to happen. What’s interesting, if you go back and look at the Concord Coalition’s annual report in the mid-nineties, it’s exactly what they’ve recommended!

Sharma: The substance is, more or less, the same.

Rudman: Yeah! It’s not rocket science. There’s only certain things you can do. [coughs] But it’s not going to happen. Not now. That’s my deep concern. I’ve got grandchildren, I wonder what the hell they’re going to face ten, fifteen years out. I don’t know.
Sharma: Well, I don’t have any more questions.

Meeker: I just have one follow-up question. This is—

Rudman: I hope this has been useful for you.

Meeker: This has been excellent, and I appreciate your candor. The 1990 Budget Enforcement Act basically replaced Gramm-Rudman-Hollings, and you’re clearly quite critical of that piece of legislation. I’m wondering if there’s anything in that piece of legislation that you saw as, perhaps, an improvement upon Gramm-Rudman-Hollings, or was it a betrayal of what you were trying to do.

Rudman: I didn’t think it was an improvement at all. I thought what we did would have solved the problem, and political pressure caused that to happen. PAYGO, if you want to look at zero base budgeting, that’s what Gramm-Rudman had in it. It’s interesting, I know it sounds glib, but if you really think about my favorite line about Gramm-Rudman, that it was never about more of less, it was always about less of more. Nobody understood that! I would tell people on the Senate floor that, they said, well, what do you mean? You’re going to cut spending. I said, no, we’re not. We’re going to cut borrowing. There’s a hell of a difference between those two.

Meeker: So when you look at the budget surpluses at the end of the 1990s, what would you attribute those to? Legislation, economic context, all of the above?

Rudman: A booming economy. Great collections on revenue. The tax increases, which I paid, and I’m happy to pay. I certainly can afford to. And some monitoring, fairly closely, of spending. The four key components that you have to do if you’re going to get this deficit down and start paying off the debt. I remember having a conversation with Lloyd Bentsen at dinner one night. He invited me to his home with a few other people, and Bentsen was all excited, because he had a plan to buy back a lot of the debt. And you may recall that they did! But then all of a sudden, Humpty Dumpty fell off the wall. People, I really do have to go.

Meeker: All right, that’s a great point to end on. Thanks Senator. Thank you—
[End of Interview]