Riley: This is the William J. Clinton Presidential History Project and we’re very happy that you consented to spend some time today with us going over your recollections of the administration. The first thing I need to do is an administrative matter and that is to get everybody to say a couple of words into the microphone, partly to test the level but more to identify to the transcriptionist who the voices are. I’m Russell Riley, a research professor at the Miller Center at the University of Virginia. My primary responsibility is with the Presidential Oral History Program.

Gilmour: I’m John Gilmour from the College of William and Mary.

Polsby: I’m Nelson Polsby from the University of California, Berkeley.

Panetta: And I’m Leon Panetta, subject of the interview and Director of the Panetta Institute here at California State University, Monterey Bay.

Riley: Great. There are a couple of things I want to say on the record before we begin with the first question. One is to note for anybody who may be using this transcript in the future that you already have two very valuable interviews on the record that we’ve included in the briefing book. One was conducted by PBS Frontline, which reviewed a good part of the administration and dealt with some of the questions we would typically deal with. The other is an interview done by the Institute of International Studies at Berkeley that dealt more with your own personal history and I would encourage—

Gilmour: Harry Kreisler, you remember that?

Panetta: Yes, yes.

Gilmour: He did one of me too, it was fun.

Panetta: I think I was up speaking at the law school and we did the morning interview.

Riley: Well, those are both very valuable additions to the public record, so anybody who is using this particular transcript would probably want to cross reference those to pick up some things we might not be dealing with here.
The other thing I want to say is sort of on a personal note. For those of us who live in Charlottesville, we’re fond of saying that if you want to understand the mind of Mr. [Thomas] Jefferson, you really have to come to Charlottesville and look at Monticello and the University of Virginia. I think it is true for anybody in the future who wants to understand Leon Panetta that it would be a very valuable experience to come to Monterey. I think it helps make a lot of sense of various aspects of your public career.

I came in after dark on Wednesday night and was reading parts of the briefing book, one passage of which indicated that virtually every weekend when you were in the House of Representatives, you flew back to your home here. I put an exclamation mark by that. I found that incredible until the sun came up the next morning and I had a chance to get out and walk around a little bit and see what it is that would draw somebody back. So I think it would be a valuable field trip for any scholar in the future who wants to know something more.

Panetta: I think that’s true. I’ve often said that when you’re from this area, the beauty and diversity of this area—it was important for me to come back as often as I did because it not only got me out of the beltway, which I think is important for anybody involved in public life, just to be able to be in touch with the rest of the country, but it also refreshed my compass to be able to go back. My wife and I decided early on—when I was elected in ’76 there were not that many members of Congress from California who were doing it on a regular basis. I think most of the time they were doing it maybe once every couple of months or three months. Somebody like [Bernice] Bernie Sisk from the Valley would probably do it once or twice a year. When the ’74 and ’76 classes came into the Congress, one of the things that began was a more regular commute back to the districts. Norm Mineta was one of those, John Krebs from the Valley was another one. We began the whole process of commuting back to our districts.

Family was out here. My wife ran my offices in the district. The other aspect was that this was really my home. This was where I was born and raised and Washington was where I worked, and I never wanted to confuse the two. It worked for us. I think it worked very well. It was a long commute, but on the other hand I really looked forward to it. I missed it. When I became Director of OMB [Office of Management and Budget] and then Chief of Staff I missed being able to come back to California.

When I was offered the job as Chief of Staff, I said that I would take the President through the reelection but then I wanted to come back to California, and we did that. I think we moved back to California within a few days after the inauguration for the second term. I’ve often said that I can be accused of an awful lot in politics, but one thing I can’t be accused of is having a bad sense of timing, when to get the hell out of Washington.

Riley: We’ll definitely want to come back to that. John, you want to start us?

Gilmour: We wanted to ask you some questions about your early political career. We can begin by asking how it was you came to be a Republican.

Panetta: Well, that really relates to the tradition in California. I was, as I said, born and raised in Monterey. My parents were immigrants from Italy. They weren’t politically involved in any way.
They were Democrats but, like a lot of immigrants, as time went by they became more conservative in their thinking and generally tended to vote Republican even though they were registered as Democrats.

I was raised in a progressive Republicanism that used to be the case in California. It began with Hiram Johnson. It was a tradition that was carried on by people like Earl Warren and Tom Kuchel, whom I worked for, and Goodwin Knight and others. Because of cross filing, because of the traditions of California.

So when I grew up, I had a great deal of respect for people like Earl Warren and Tom Kuchel. As a result it seemed to fit what I believed in to become what was then a progressive, or moderate, Republican. When I went to work with Tom Kuchel in Washington that confirmed my views, because he was someone who believed in civil rights, believed in labor issues, was very liberal in terms of social issues but conservative with regard to fiscal issues, and that was where I was too, so it fit pretty well.

Then Tom Kuchel lost to Max Rafferty in the primary in ’68, to a right-wing Republican in California. I guess as a result of getting rid of cross filing, the party began to move more and more to the extreme and, particularly after my experience at the Office for Civil Rights, I decided that there was a bigger roof in the Democratic Party. The Republicans were beginning to exclude the Tom Kuchels and Jacob Javits and Clifford Cases of the world, who represented what I thought Republicanism ought to represent.

Gilmour: Can you explain how you joined the [Richard M.] Nixon administration?

Panetta: Yes. After I got out of the Army, I had the chance to go back and work for Senator Kuchel as a legislative assistant. It was not because I’d been very involved in party politics. I had gone through undergrad and law school and then was serving two years in the Army so I was coming out—My parents certainly were not in any way involved in politics. I had written to Washington and had a chance to go back. I actually wrote a guy named Joe Califano, and the reason I wrote him is not because I knew him but because he was Italian and so was I, so I thought he probably could be helpful. He set up some interviews for me back in Washington, when I was still in the Army. So I went back and I interviewed—

Gilmour: Where was Califano at that point?

Panetta: Califano was in the White House. He was an assistant to Lyndon Johnson.

Polsby: Working for Johnson—

Panetta: He set up a set of interviews for me in Washington. To his credit. I sent him my résumé, but he really didn’t have to do it. But he actually called and set up some interviews. So I went back, interviewed at Justice, interviewed at Defense, interviewed at a number of departments and then took the time to go up to Capitol Hill because I was interested in Capitol Hill. I walked into Kuchel’s office because I had a lot of respect for him as Senator, and they were in the process of looking for a legislative assistant. I got the job, I think in part because I
was an attorney but also because of my military background. I think Tom Kuchel had a lot of respect for that.

So I was able to get the job and my wife and I drove back to Washington in a Volkswagen with two kids in diapers. I began work for him as a legislative assistant, and worked from him from April of ’66 and through the ’68 election when he lost the primary. We had to move on.

I was offered several jobs on Capitol Hill. Ed Brooke had offered me a job to work for him, and some others had offered a job. Then what happened is that Jack Veneman, who was an assemblyman here in California and of the same stripe of Republicanism that I was and Tom Kuchel was, a moderate Republican—that actually was the case in the state legislature for a long time. There were a lot of real good guys who were involved in California politics at that level who were also friends of Kuchel. Jack Veneman was asked to come back by Bob Finch to help organize his work at the Department of Health, Education and Welfare (HEW). Jack Veneman knew that I had worked on those issues when I was with Kuchel, so he asked me to come down and help him organize the approach and the briefings for Bob Finch. I did that, and then was asked to join the Secretary as a special, I think Assistant to the Secretary was the first job I had at the old Department of Health, Education and Welfare.

Then, within a few months, I had to concentrate on civil rights because that was such a controversial issue, and because of my background—I’d worked on civil rights legislation for Tom Kuchel—within a matter of a few months I was asked to become Director of the Office of Civil Rights at HEW.

Riley: You were asked by?

Panetta: I was asked by Bob Finch.

Polsby: Who didn’t last very long, as I recall.

Panetta: That’s correct. He had a rough time while he was there trying to fight—largely to protect the issues that I talked about on the Republican side. He was for civil rights enforcement. He was for a lot of the progressive issues that Health, Education and Welfare was all about, and he ran into problems with a lot of the conservative aides that the President had in the White House, as I did as Director of the Office for Civil Rights.

Gilmour: Was there any precipitating event while you were in the Nixon administration that prompted you to become a Democrat?

Panetta: It was really a series of things that happened. It began, I think, with Max Rafferty’s defeat of Tom Kuchel. You could clearly see that the Republican Party was moving further to the right.

Riley: Did the [Ronald] Reagan election before that—is that a part of that same swing that you’re identifying or not? He was elected Governor in ’66.
Panetta: Tom Kuchel had basically taken a position where he did not support Ronald Reagan when he was running. He supported [Edmund] Pat Brown because he had to—Again, this is a reflection of the kind of politics that I’m talking about. He had much more in common with a Pat Brown in terms of what Pat was trying to do for the state, and so supported Pat Brown in that election. That was part of Kuchel’s problem obviously, when he ran, particularly on the Republican side. But I think there was a change beginning to take place in California in terms of Republican politics that’s still there, it’s still happening, that moved the party further and further to the right. People like Kuchel just couldn’t get past the primary. They could win in November. Tom Kuchel would have won in November had he gotten past the primary. It’s obvious, because [Alan] Cranston beat Max Rafferty, and I think there was no question Cranston did not believe he had a chance if Kuchel won the primary.

So I could see the beginnings of that then. Just to round out the picture, in the United States Senate, when I went back as a legislative assistant to Tom Kuchel, it was not only Tom Kuchel, it was Jacob Javits, it was Clifford Case, it was George Aiken, it was Hugh Scott, it was Mark Hatfield, it was Ed Brooke. It was a large group of what I would call moderate progressive Republicans who were part of the United States Senate. And it was a comfortable place to be because they not only represented what I thought was the right philosophy in terms of the country, but they could implement it. They were working with Democrats to basically implement policy and they worked together, whether it was on the environment or education or civil rights. Even Everett Dirksen, who was much more conservative, worked with Lyndon Johnson to pass civil rights legislation.

So that was the tradition, that’s where I was coming from. Gradually that began to erode over the years. Even when Nixon came in and Spiro Agnew was Vice President, Spiro Agnew actually campaigned against a guy named Charlie Goodell in New York who was a moderate Republican.

Polsby: Elected Jim Buckley, wasn’t it?

Panetta: And elected Jim Buckley as a result of that. So that, plus I could see what was happening with civil rights, that a commitment had been made on the southern strategy.

Riley: Can you tell us, I don’t want to get into too much on this, but I’m interested because there is some revisionism out there—

Panetta: Yes, there is. I saw the George Shultz piece in the New York Times was a piece of revisionist history.

Riley: I’d like to get you on the record on this about your own—

Panetta: It was obvious from people I talked to both in the White House and outside the White House that a deal had been made in the election in ’68 that—It was the southern strategy essentially that, in exchange for the support of the South in the nomination race against [Nelson] Rockefeller, the South would unify in support of Richard Nixon. But they would do it on the basis that he would back off of strong desegregation efforts in the South. He wouldn’t push efforts at busing and the controversial issues that had begun ever since Brown v. Board of
Education passed the Supreme Court but, more importantly, were implemented during the Johnson years, particularly with the passage of the Elementary and Secondary Education Act (ESEA), which began to put money into districts. Basically what the Office of Civil Rights could do, as a result of the Civil Rights Act, Title IX, was to say to a district, if you don’t get rid of the dual school system, if you don’t break it down, you’ll lose your federal money. Prior to the passage of ESEA there were no teeth in the law. With the passage of the Elementary and Secondary Education Act and the amount of federal money that went into districts around the country, you began to get teeth in the law.

So the leverage I had as Director of the Office for Civil Rights was essentially to say to a district, “Because you’ve been a segregated school district, you’ve got to desegregate and you’ve got to present a desegregation plan.” We could easily make the case, because for close to 200 years most of those districts had been segregated by law. So you could make the case. If they presented a good desegregation plan, they maintained their federal dollars. If they didn’t, we would sometimes take action to cut off those dollars.

I remember I told Bob Finch when he became Secretary and then when he asked me to become Director of the Office for Civil Rights that I had helped pass many of the laws on Capitol Hill, working with Tom Kuchel on civil rights, and that I was committed to enforcing the law. He indicated that he was equally committed to enforcing those laws, we were not going to go backwards, that we were not going to retreat from the commitment to implement equal rights in education.

But it was obvious, as time went on, as we began to take enforcement efforts, that there were still some very tough districts to deal with. And there were still some hard districts, particularly in states like Mississippi, Georgia. Pressure began to come in politically, through the White House, to essentially slow down and back off.

Riley: You were getting calls from—

Panetta: Oh, yes, I got calls from John Ehrlichman, got calls from the fellow who handled their congressional affairs, the little guy from—I’ll think of his name, I can’t remember it right now. But from him, the calls were coming sometimes through the Secretary’s office, to try to slow down, back off, give them more time. And there was a group of districts that essentially we said, “We’ve got to proceed.” They were moving in the right direction actually, because, I think, many in the South had recognized that they had reached the point where they couldn’t dodge it anymore, they had to move forward. There were a lot of school superintendents who basically put their heads on the line. We lost a lot of school superintendents in those days who lost their jobs because of what they were doing. But because of the courts and because of the enforcement at the Office for Civil Rights, there was a sense that they had to move in that direction.

Suddenly, the politicians in those states were beginning to put pressure on the White House, and the White House was beginning to send signals that they didn’t have to move. A lot of these cases went into the courts because they were refusing—And the courts in those days, all the way up to the Supreme Court, were still very strong about ensuring that the law would be enforced. The courts then drew the line.
As a matter of fact, there was a large Supreme Court decision in Mississippi, on a group of states, that made very clear they would not back off on desegregation. I thought when the Court made the decision that was very helpful. My position was that we shouldn’t back off, we should keep the pressure on, especially at this point in time when we’ve had so many who have finally come to recognize that they had to move forward. So what I heard out of the White House was that they were very angry at the Court for having ruled that way. Somebody had basically suggested at a White House meeting—I wasn’t there, but I’d gotten a report from somebody who was there who said there were some arguments not to abide by the Supreme Court’s decision, which I thought was outrageous, but ultimately I think they rejected that advice and knew that they had to go with the decision.

Based on that I continued to try to push forward. It was in Washington that a fellow from Mississippi brought in a group of politicians who said to me, “No, the President made a commitment to us that he would not push on desegregation.” I said, “Look, the President also is sworn to uphold the law and this is the law.” And yes, I was enough of a politician to understand. I said, “Look, I’m willing to sit down, I’m willing to negotiate, I’m willing to work it through, but I’m not willing to back off of the ultimate commitment that has to be done here. But there are ways to do this. Anytime you have to desegregate, I understand, you try to do it in a way that at least doesn’t create an explosion within these areas. I recognize the importance of doing that.”

Polsby: When did you decide you’d basically lost and gave up on him? I guess because there was a transition, you went to work for John Lindsay.

Panetta: I could recognize each day, as I was getting more and more pressure, that I was coming to a point where I had to make an internal decision. Either I was going to continue to enforce the law, based on what I believed was right, or I was going to capitulate and back off. I was Director of the Office for Civil Rights. I probably could have gotten other positions in the administration as a result of that. I was pretty young, I think I was in my late 20s, early 30s at the time I was Director of the Office for Civil Rights.

I just made the fundamental decision that I had to do what I believed was right. I can’t say that there was any bolt of lightning out of the sky. I had been recognized as somebody who was trying to push this forward and do the right thing, and I felt it was important to continue that effort. I also believed it was in the political interests of the administration to get this behind him, as opposed to making it something that could undermine their credibility when they’re trying to deal with other issues.

So I believed not only was it good in the sense of upholding the law, but it was good politically. Then there was increasing pressure on the administration to move me out, particularly from Strom Thurmond’s office and some of the people associated with Thurmond in South Carolina. I had heard that Jack Veneman and Bob Finch had said to the White House, “You’ll get our resignations if you try to force Panetta out or fire him.”

There began a period where I began to get more and more of the rumors that there was pressure for me to leave. Then one day there was a report in the Washington Post that indicated I had
resigned from my position. I went into the office and everybody was asking about it. I called the Secretary, Bob Finch, and said, “There’s a report and there have been other reports and I assume we’ll deny it.” And he said, “Yes, deny it as you have.” So we did. But later that morning in the President’s press briefing with the—who was the guy who was his press secretary?

Gilmour: Ron Ziegler?

Panetta: Yes, Ziegler did a press briefing, and at the briefing he confirmed that I had resigned.

Gilmour: Oh, my.

Polsby: That’s how they communicate in Washington.

Panetta: So I immediately went over to the Secretary’s office and Bob Finch said, “Yes, look, they’ve confirmed that you’ve resigned. I know it’s tough.” I said, “I’m not going to put you in a spot, you’ve supported me. I’ll go ahead and submit my resignation.” Which I did.

Polsby: Back dated.

Panetta: Back dated before the press conference. Essentially I was fired from that job. Then I took a few months to work on a book that we did on our experience, Peter Gall and I. Peter Gall had worked with me in Kuchel’s office and worked at the Office for Civil Rights. We wrote the book and then got the offer from John Lindsay’s office, because there was somebody in Lindsay’s office who had worked with Jacob Javits and knew me from Capitol Hill, a guy named Dick Aurelio, who was a deputy mayor to John Lindsay. He asked if I would come to work for Lindsay.

As I began to work with Lindsay—and as you know Lindsay ultimately made the same decision I did, to become a Democrat—I saw that those who were supporting me on the civil rights battle, and there were a lot of good members in the House who had fought for these laws, were getting hit as well from the administration. So the support I had received was beginning to evaporate on the Republican side. It was a combination of all of that, but in particular when Agnew campaigned against Goodell, that offended me more than anything else.

Polsby: So you were never in elective politics out here, as a Republican.

Panetta: That’s correct.

Polsby: Because it simply occurred to me that the people who have the toughest time changing parties are the people who have local ties with one party, and you didn’t have that problem.

Panetta: That’s right. Actually, when I ran for Congress I had the best of both worlds, because I’d worked for Tom Kuchel, who was pretty well respected. This district here, the central coast, was essentially a moderate area. There are extremes from Santa Cruz down to Paso Robles, that was the district I represented at the time. But generally I think it continued to be much more in line with the politics I was raised with. So it actually became a very good fit, not only because I
was born and raised in this area, but the fact that I had worked for Kuchel got me a lot of support on the Republican side. And the fact that I was a Democrat obviously appealed to what was becoming a growing number of Democrats in this area. It was a good combination to take into the election in ’76.

Riley: I know you both have questions about the period in the House.

Gilmour: You were a budget expert in the House of Representatives.

Panetta: Yes.

Gilmour: Were you interested in the budget right from the start or did you develop an interest after you got there?

Panetta: Well, when I was working as a legislative assistant for Kuchel, in those days a U.S. Senator usually had two aides, one covering foreign affairs and defense and one covering domestic issues and financial issues. So in Kuchel’s office there was one fellow who did basically defense and foreign affairs, and I became the legislative assistant for all of the domestic area. Kuchel was on the Appropriations Committee. I became familiar with appropriations and I became familiar with the aspect that ultimately, the power to deal with money is the power to deliver for the people you represent. Not only that, but the debate that takes place usually does so in the context of either the budget or the appropriations process.

I had learned that during the time I was there and continued to have that interest. When I went back to the Congress in ’76, actually went in in ’77, the budget process had just been adopted in the Congress. They had passed the Budget Empowerment Act. It had passed in ’74, I believe, so it was very new and the Budget Committee was very new in implementing that. I became very interested in the budget process for a couple of reasons. Number one, because almost the first thing you had to do in the Congress was pass a budget resolution—

Polsby: Did you go directly to the Budget Committee when you got—

Panetta: No, I was on the Agriculture Committee—

Polsby: Agriculture, I thought so, yes.

Panetta: Mainly because of my district—

Polsby: Sure.

Panetta: Because it was largely agriculture. Then I was in House administration. But I began, in my first two years, to work on budget issues. Bob Giaimo was chairman of the Budget Committee and we developed a close relationship—

Polsby: Great guy, he’s a friend of mine.
Panetta: Wonderful guy. And we developed a very close relationship. I’d first known him when I was Director of the Office for Civil Rights. I introduced legislation to create a two-year budget process. One of the first pieces of legislation I put in was to establish a two-year budget cycle, because I could see the constant battles that were going on just to pass one budget and then, no sooner do you pass one budget than you’re in the battle for the next year. So I really thought we ought to extend this period in some way to make more sense out of it. He actually had hearings on it and gave us a chance to talk about it. It was strongly opposed by the appropriators, but there was a lot of attention on it.

At the beginning of my second term, I was elected to the Budget Committee. So from that second term I was always involved with the Budget Committee in some capacity. I liked it because the budget gave you the opportunity to look at the entire spectrum of federal responsibility and to set priorities and to make judgments about where funds ought to be placed. What are your priorities, where should you put federal dollars? And also it raised, from the very beginning, the whole aspect of how do you discipline federal spending, all of which appealed to me. Fiscal discipline appealed to the Republican side of me, and I had always had that basic ethic. But how to set priorities appealed to the more moderate progressive side of me that said you’ve got to make investments. And the context for doing that is the budget. Yes, ultimately you fight it out in Appropriations and you fight it out elsewhere, but establishing those larger priorities and what you care about as a party, as an institution in the Congress, that battle takes place in the context of the budget resolution. That’s why I enjoyed it.

Gilmour: In ’81 you were head of the Reconciliation Task Force on the Budget Committee—

Panetta: Yes.

Gilmour: I interviewed you in 1981 when I was working on my dissertation. You don’t remember it I’m sure, it was in the immediate aftermath of the big reconciliation bill that year.

Panetta: Yes, yes.

Gilmour: Did you seek that out or did Bob Giaimo ask you to take it on?

Panetta: Yes to both of those. What happened with reconciliation is, of course, the enforcement process that was built into the Budget Act said that ultimately, if you really want to force savings, when it comes to entitlements or taxes, there is this process whereby you can, in a reconciliation bill, pass it through both the House and the Senate and adopt those savings into law. Needless to say, the budget process has always been immersed in the politics of the appropriators and the chairmen, who never particularly like the budget process.

Don’t forget that the reason the Budget Act passed was not because they wanted to pass a budget, but because they wanted to control the impoundment process that Richard Nixon was in charge of. This had nothing to do with the budget. They wanted to stop Richard Nixon stopping them from spending money through the impoundment process. But they also understood that they couldn’t just slap the President down, because the President was already starting to accuse the Congress of being big spenders. They knew the only cover they could have to get at the
impoundment process was to adopt a congressional budget process. And there were some, like Dick Boland from Missouri, who legitimately felt that was the right thing to do. But in the process, they had to cut deals and ultimately everybody thought, *Well, the budget thing will be a nice little game for a few members, but it’s not going to change the way Congress behaves.*

So for the first few years, nobody ever raised the aspect that you would pass a reconciliation act to achieve saving. But Bob Giaimo always said, “We ought to at least start a process of trying to urge members to achieve savings, to try to find areas where savings can be achieved, either by getting rid of programs that don’t work or cutting back on programs that were pork projects to begin with.” He really believed that, and he then established this Reconciliation Task Force in Budget and asked me to chair it.

I think this must have been my first term on the Budget Committee, so I was just a second-term member of Congress. This was a time when senior members of the Congress still ran the place to a large extent, and Ralph Regula, who was a Republican, was my ranking member on that Reconciliation Task Force. So the basic message we got from Bob was, “Do what you can to cajole committee chairmen to try to achieve savings.”

I can remember, as Chairman of the Reconciliation Committee, going before Billy Ford, who was a member from Michigan—

**Polsby:** Tough little guy.

**Panetta:** Yes, tough little guy, and he was head of the Post Office and Civil Service Committee, things that no longer exist. One of the things we focused on is how we could achieve savings in the retirement plans for postal employees, and I urged him to do it. I got guffawed—

**Riley:** Why would they do that?

**Polsby:** Look, one of the things that interests professors is the fact that the House of Representatives is not really appreciated to the extent it might be as a school for members. That is to say, you weren’t born a budget expert—

**Panetta:** No, exactly.

**Polsby:** —but the House gave you the opportunity to specialize, to become a true expert, one of the people in Washington who really knew.

**Panetta:** One of the things you learn in the House, more so than the Senate because of the numbers of members, is that your ability to become an expert in an area is power. That’s how you develop a power base in the House, through your expertise in a particular area. Those who try to spread themselves out too far and get into everything are recognized as the demagogues who try to play every issue, but they aren’t experts. And in the House, if you’re willing to learn, if you’re willing to focus on it, you can become a power not only in the House, you can become a power in the Senate when you go into conferences, because Senators don’t take the time to
focus as much on a particular area. So it represents power and it’s a place where you can learn. And the member who understands that is the member who gets ahead.

Gilmour: At what point did it occur to you that specializing in reconciliation in the budget process might be a useful career tool?

Panetta: As I said, we were going through this process of cajoling, and look at the time. In those days, the deficit was a huge $25 billion, which seemed enormous at the time. So [Jimmy] Carter was very concerned about doing what he could to bring that deficit down. Carter actually sat down with the Democrats on Capitol Hill, perhaps the first real budget summit, sat down with the chairmen from Appropriations, Ways and Means, Finance, some key members. Bob Giaimo asked Dick Gephardt and me to sit in and be a member of that summit, and that was really, again—

Polsby: Gephardt from Ways and Means presumably.

Panetta: Gephardt was over in Ways and Means but he was also on the Budget Committee with me. So we sat in and became a part of that summit. It was totally on the Democratic side, and they ultimately took the first steps to try to develop a balanced budget, to get rid of that $25 billion deficit. At that time it was clear that the ways they had adopted to try to do it were never going to be implemented, but everybody could take credit for trying to do a balanced budget—

Gilmour: And that was the birth of the reconciliation process.

Panetta: Exactly. Well, it was the first time everybody recognized that you needed reconciliation in order to make this work, otherwise nothing would happen. That was the first step. But the point at which reconciliation became recognized for the powerful tool that it is was when Ronald Reagan came in and presented his budget. He wanted to pass this tax cut, but they also knew they had to do some fiscal discipline in the process. They were able to get their budget through. As you recall it was a fiasco in that the Republicans combined with a few Democrats were able to defeat the rule, they were able to pass their budget, the Reagan budget. Then when reconciliation came—and we went through a large reconciliation to implement the Reagan budget—it came to the House side. Democrats had basically tried to develop a reconciliation approach, recognizing that their budget had passed, but we tried to do it in a way that would not have a serious impact on a lot of the programs we cared about.

So I had refashioned it. We built a Democratic reconciliation bill. We lost the rule on that reconciliation bill. That was significant in terms of the history of the House, because suddenly Tip O’Neill and the Democrats lost control of a major issue. We lost the rule and as a result of that the Republicans had a chance to develop a reconciliation bill. [David] Stockman wrote it out, I remember there were little notes on the side, and everybody was laughing about what was taking place. But I suddenly realized reconciliation gave them the opportunity to go after every aspect of federal spending, entitlements, taxes, changing laws, every aspect, and put it into reconciliation. Suddenly I think every member realized what a huge, powerful tool it was.
Now, that passed. There were a lot of weaknesses that the press and others pointed out. The Senate—that’s where Pete Domenici and I developed our friendship—and Howard Baker was here because the Republicans had won the Senate, worked to modify that. So I, as head of the reconciliation task force, was working to try to modify that. The Senate passed a much more reasonable version of reconciliation, we modified it in conference, and ultimately we got that passed. But it was significant. When that happened, it was recognized that reconciliation was an extremely powerful tool, particularly on the Senate side, recognizing that you could use it to avoid a filibuster on the Senate side. And it was suddenly realized that you could get things done without—

**Gilmour:** And nobody had really planned that.

**Panetta:** Nobody, that’s right. Nobody had really looked at it. You can see it even now anytime anybody talks about the tax cut, they’re talking about using reconciliation as the tool to pass it because it avoids the filibuster on the Senate side.

**Riley:** Who in the Reagan administration was orchestrating this?

**Panetta:** Stockman basically was, he was Director of OMB.

**Riley:** He would have been the one who saw the big picture and understood that this was the way it could work?

**Panetta:** Stockman recognized the importance of the budget process, recognized the importance of reconciliation, that it was a positive tool. What Stockman was concerned about, interestingly enough, if we now look at it some 30 years later, was that the tax cut passed as part of that process was going to increase deficits as far as the eye could see. So everything we had done on reconciliation in the budget process to some extent was undermined by what had happened on the tax cut, because while we were trying to control spending on one side, the doors were being opened up by virtue of the tax cut. So that was the one-two that happened.

The politics wasn’t working with us, but ultimately the deficit became so large that finally even Ronald Reagan recognized he had to do something about it, in ‘86, particularly when the stock market crashed. That’s when we had the first real summit between Democrats and Republicans to develop an approach and use the reconciliation tool.

**Gilmour:** In 1981, first the Republicans won on the budget resolution. That must have put you in an awkward position. And after that you were fighting to get the committees to comply with a reconciliation instruction, it was really a Republican instruction.

**Panetta:** Yes.

**Gilmour:** Did you get a lot of pressure from your colleagues to sabotage it or to let them sabotage it?
Panetta: Yes. There were many who really did not want to cooperate with that effort in any way. I remember going to the Education and Labor Committee. In the reconciliation process you have savings that have to be achieved in different areas, and there was a level of savings that had to be achieved out of the Education and Labor Committee. I think there were recommendations in reconciliation as to how it was to be done, but under the budget proposal, the Committee makes the final decision. They have to hit the target on savings, but they can decide how it is done. So my argument to the Education and Labor Committee, and don’t forget, as I said, it was Phil Burton, it was a fellow from Kentucky—

Multiple: Carl Perkins.

Panetta: Carl Perkins. Billy Ford was on there. These were people who were the fathers of many of the programs that had been developed in Education and Labor for 15, 20 years. I remember saying to them, “Look, we are obligated under this process to come up with a level of savings. If you don’t do this, and if you don’t exercise some judgment where those savings could be achieved in a way that minimizes the impact on the people you care about, then make no mistake about it, the Committee is going to do it. And the Committee will bring to the floor an amendment that will do this in which you won’t have control, as we saw on reconciliation and as we saw on the budget.”

Because in those days, Phil Gramm and a few others were basically giving the Republicans the votes they needed to get it through. So I said, “You’re going to lose it and you really will damage the programs you care about. You have the opportunity to do it.” And Carl Perkins said, “I don’t want to do any of this, I am not going to do it. If they want to do it, let them dirty their hands.” And Phil Burton, a little more practical minded, said, “Wait a minute, wait a minute. If we walk away from this, they’ll basically decide this.” So I had a lot of those arguments with a lot of chairmen. Again, I approached it on the basis of, “This has to be done and it’s going to be done one way or another. You can either play a part in designing it, even though I know it concerns you—” because these guys never believe in cutting anything— “But if you do that, if you walk away from it, the very programs that you care about are going to get emasculated.” That was the argument I used in a lot of the committees.

Ways and Means was always much more willing to do it. People like [Dan] Rostenkowski said, “This needs to be done.” And there were some who believed that we had to do this, and particularly they understood that in dealing with the Senate, they had some Senate chairmen who were sympathetic to those programs. Let’s not forget that in those days the Senate, with people like Howard Baker and Bob Dole and others, was not as extreme as the administration in terms of politics. It was much more moderate. So they realized that if they could work with the Senate and their Senate counterpart, they could probably develop a package that, while they didn’t like cutting any spending, at the very least would minimize the impact. So when they understood that, when they saw that light, I think that’s when we were able to design reconciliation and make some sense out of it. It was still a tough package.

I became kind of the reconciliation expert. Jim Jones was actually Chairman of the Budget Committee, but he basically said, “You’ve got to cut this deal.” I can remember working with
Howard Baker and Bob Dole and others—and Pete Domenici and I developed a close partnership at that time—trying to get it through.

Gilmour: This was when you were a third-term Congressman, I guess.

Panetta: Yes. There were moments when I stood back and said, “I’m in the middle of developing some pretty significant policy for the country and having a real impact.” That basically confirmed in me that the budget was clearly the most powerful tool in the Congress at that point in time. Then, when you looked at Gramm-Rudman, don’t forget we went through the debate on Gramm-Rudman and cutting across the board. We went through the debate on other ways to try to do this. Appropriators began more and more to hate this process because they knew it was limiting their ability to spend money. But it also taught me that in the end, because of the politics, because of the discipline, it gave me a very powerful tool to deal with my colleagues.

Polsby: Can I switch gears just a little bit?

Panetta: Sure.

Polsby: You had an assignment that interested me very much. The House doesn’t get many contested elections. Now, talk a little bit about that. One of the things I’m interested in is how you got handed that dead fish, whether it compromised your capacity to deal with Republicans on other issues. Just talk a little bit about that. That was a very unusual event.

Panetta: When I first got into Congress I became a member of the House Administration Committee. And the House Administration Committee had traditionally been this cozy place that determined where parking places were located. Who was the Congressman from Ohio that I think—

Polsby: Wayne Hays.

Panetta: He had converted it into real power because he used it as leverage against individual members who gave him any problem. They’d wind up sitting in front of their office with no office. He used it that way, and then Wayne Hays had his own problems at the time and he got booted out. He was not there when I went to the Committee. The most important thing the House Administration Committee did was set budgets for the individual committees early in the year. That was a significant power, a significant tool to try to influence the different chairmen.

But it was also engaged in election reform, and when Mo Udall came up with the whole proposal to have public financing for elections, the whole thing that led to the decision in *Buckley v. Valeo*, we had worked on that legislation in House Administration, and I was on that subcommittee. I enjoyed working on that. I was very interested in election reform.

One of the jobs of the committee was to deal with close elections. Well, for a long time there weren’t many close elections. Democrats won by big margins and Republicans won by big margins. There weren’t a lot of close elections. I think Ab Mikva had probably some of the
closest elections, but even his were maybe 500 to 1,000 votes. But they were getting closer and closer in some of these districts, and this one district in Indiana came in and it was within just a few votes, so it became a contested election.

The rule is that contested elections are basically handled by a committee that is established in House Administration. So Bill Thomas and I were appointed as chairs to go into this election—

Riley: This would have been in what year?

Polsby: I’m bad on years.

Gilmour: Either the ’84 or ’86 election.

Panetta: This is in the ’80s, I can’t remember.

Gilmour: I would guess probably ’84, but it might have been ’86.

Panetta: Yes, it was early, Newt Gingrich was arriving in full blossom at that time. Probably one of the things that if you track the change within the institution—

Gilmour: Was this [Richard D.] McIntyre versus McIntosh? Were those—

Panetta: No, it wasn’t McIntosh, it was McIntyre versus the Democrat.

Polsby: Who prevailed.

Panetta: Who prevailed.

Polsby: It was one of the precipitating things that changed the atmosphere—

Panetta: It was, if you’re looking at the history.

Riley: Exactly.

Panetta: The bank scandal is probably one of those. Some of the things that happened, the abortion policy, the social policy divisions.

Polsby: The pay raise.

Panetta: The pay raise issue, the changes that were beginning to take place in the media, money raising, elections, PACs [political action committees], etc. Put all of that into a test tube and—

Polsby: But you were in the middle of this particular—

Panetta: Yes, this was part of it, and out popped Newt Gingrich. So the Speaker asked me with the chairman to handle this. We had the GAO [General Accounting Office] participate in the
actual count. It went pretty well for a while, we developed common rules for how we would count—I watched Florida and chads and all of that, and it actually went back to that process.

We had to develop rules as to how we would do the recount, what would count, what would not count. We went through that process. Went to Indiana. I suddenly realized Indiana is not this pristine place that abides by all the rules. We found ballots in trashcans, ballots in all kinds of places, depending on what precinct you went to.

So we had to take all the ballots, they were all paper ballots and we had to count them all, and we went through the process with the GAO. Then we brought it down to the few that were disputed ballots and we had to go through those. As we went through those it came down to about, I think it was a three- or four-count difference. I thought to myself, the last thing that I want is for this thing to come down to three or four votes, hopefully it’s 25 or 30 or 50 votes. And it comes down to four votes.

At that time Thomas was raising all kinds of objections to it and I said, “Look, I’ll ask the guy from GAO. Do you confirm that this is a four-vote margin or not?” And he said, “No, no, it’s a four-vote margin, it’s down to that.” I said, “That’s it.” And we took it. So, because of GAO’s position, thank God, that’s what I took to the floor. But the Republicans always viewed it as a disputed election. We basically had the Democrats win.

We took it to the floor. Republicans, I remember, walked out. Newt Gingrich led them out but, thank God, the member who was elected then won by a fairly good margin the next election, so it was pretty clear that he was able to hold that seat.

What that did is it started to increase the friction between Republicans and Democrats. And that was one of the factors that, as I said, ultimately led to the divisiveness that you see today in the institution.

Riley: On what grounds were the Republicans challenging the GAO? Just because it was so close they felt surely there must be—

Polsby: They wanted to have a new election. And when that did not prevail, they fought it out on the floor.

Panetta: That’s right, yes, they basically said, “We want a new election.” And I said, “Well, yes, but we went through a process, we came to the count, and yes, it’s three or four votes. I wish it had been more, but the GAO confirms that.”

Polsby: There were disputed ballots. I remember your statement was a remarkably good one. There were some ballots that were questionable, and you said, “You simply don’t want to have an election turn on illegal ballots.”

Panetta: Yes, questionable ballots. But the answer to your question is, I earned my political stripes. I had been pretty independent in the way I voted. I voted against pay raises, I voted against a lot of things that I didn’t believe in and had developed a pretty independent reputation.
And leading the reconciliation effort. And in terms of Tip O’Neill and the Democratic leadership—

Polsby: Got all the chairmen mad at you.

Panetta: Got a lot of the chairmen mad at me. But having done that, again they said, “Okay, this guy came down, and even though it was tough, did what he had to do.” Ultimately, that probably helped get me elected Chairman of the Budget Committee.

Polsby: But there’s a history of the Budget Committee. Basically, the Chairman of the Budget Committee, which is a limited term, they leave, they don’t hang around. There’s something about being on the Budget Committee that uses up your—


Polsby: Yes.

Panetta: Well, there is a term limitation.

Gilmour: I mean they left the House.

Panetta: Oh, yes, interestingly enough, that’s right.

Polsby: That’s the point I was trying to reach for.

Panetta: Look, if you do that job right, you’re going to piss a lot of people off. [laughter]

Gilmour: So in the election contest, you solidified your ties with Democratic leaders. Did you at the same time burn bridges with your friends in the Republican Party?

Panetta: What I had always done, on the Agriculture Committee for example, Bill Emerson who was my ranking on the Nutrition Subcommittee, was somebody who worked closely with me on food stamps and that never was—Frankly there was a recognition that Bill Thomas was to some extent a hothead and that he didn’t necessarily represent the Republicans that I got along with. So my relationship with people at my ranking on Budget, Bill, from Minnesota—


Polsby: Lovely fellow.

Panetta: Nice guy. Bill Frenzel and I continue to work together, [Robert] Michel and I continued to get along, so I continued to get along with at least the heart and soul of the Republican leadership. But those newer members who were coming in at that time were much more ideological. There were more of those beginning to develop who took the hard-line view. I wasn’t going to crack them, no matter what the hell I did.
Riley: I don’t know whether you’ve got more questions—

Gilmour: Maybe we should move on to the Clinton administration.

Riley: Actually, I want to intervene on one point before we get there, because we’re running simultaneously interview projects on the two administrations prior to the Clinton administration, and we get a lot of testimony on the record about the 1990 budget agreement, but from the administration’s side, and you were on the negotiating team.

Panetta: Right.

Riley: I’d like to hear your account of what happened in the development of the 1990 budget accord.

Panetta: It actually goes back to the election of George Bush the first. He gets elected, he makes this pledge, “Read my lips, no new taxes.” In the period between the time of the election and the time he takes office, [G.V.] Sonny Montgomery, who is a close friend, Congressman from Mississippi, says, “Would you come up to the President-elect’s house and talk about budget issues so he understands what has to be done in terms of the budget?” So with Tom Foley and some Republican members, I can’t remember everybody who was there, but it was probably about five or six members, we sat down to talk to George Bush. I can remember saying to him at the time, “Mr. President-elect, if you don’t confront this issue—” Don’t forget, we’re at $200 billion deficits, and you look out there and you can see nothing but going to $300 billion deficits and $400 billion deficits. And the estimate was we were going to hit $600 billion by the time we got into the new century.

So I said, “I recognize what you said in the campaign, but ultimately, the only way you can deal with deficits of this size is to deal with both spending cuts and revenue increases. You have to deal with both, there is no other way to do this. And if you don’t do it, if you try to tiptoe past this problem, ultimately what will happen is you will not have any resources to commit to whatever you want to establish as your legacy as President. You won’t. You’ll be working along the edges here and you’ll try to move a few dollars here and a few dollars there, but the reality is you will not have the resources to commit to priorities, because the deficits will eat it up. And you’ll never have a strong economy, because as long as those high deficits are out there, they’re going to impact.” I said the same thing to Bill Clinton four years later.

At the time Bush said, “I understand what you’re saying, but I’ve made this pledge. Give me some time to do some of the things I have to do and maybe there will come a point in time where we will have to sit down and do this.”

Riley: Did he have his staff members there too? Was Dick Darman there?

Panetta: I think Darman was there. Yes, I’m pretty sure Darman was there at the time.

Riley: Nick Brady maybe?
Panetta: I think Brady was too. Later on I developed a pretty good relationship with Dick Darman. We were fighting our way through several of the early budgets and not getting very far and having a lot of disputes, and Darman kept saying, “Look, there will come a point at which we will try to do what we have to do to try to control this problem.”

We finally get into the ’90 year, and I think it becomes clear that if they don’t deal with it, the election is going to come and they’re going to have a horrendous deficit on their hands. I think part of it was looking ahead to that. But as I recall, Darman kept saying, “We’ve got to find the right chemistry to bring this together and do the negotiation that has to be done on the grand solution to this problem.”

Riley: Are you getting signals from anybody else in the administration in this direction or do you have conversations with John Sununu, or is it—

Panetta: It’s basically Darman. So we pass a budget resolution, I think we pass it in the House. And the Senate has a harder time passing a budget resolution and finally, because of the dispute over the ability to do that it ultimately forces—and then Bush calls for a conference. We have a lot of preliminary discussions, and they ultimately lead to the sessions we have at Andrews Air Force Base. During that discussion, what I could see happening was that Darman and OMB were working very closely with us to get the pieces put together, but there was also the politics of what goes first, you do spending, you do taxes. You had to do the spending stuff first in order to give them some cover, because it was always made clear that ultimately you’re not going to put this package together, going into all of these spending cuts on Medicare, Medicaid, farm programs and other things, unless ultimately you come around on the revenue side. And they said, “We want to see you put that on the table first.” So we went through that process. It was clear even going through there that people like Newt Gingrich who were participating were not buying into this process.

Gilmour: But he later led a revolt against the agreement when it came to the House.

Panetta: That’s right.

Gilmour: Did he make it clear during the meetings that he wasn’t buying it and that he was going to fight it, or was it a surprise?

Panetta: Well, he’s sitting there, but he’s also reading the newspaper and you don’t get the sense he’s really engaged.

Polsby: The first time through you didn’t get Democratic support in the House either, wasn’t that right?

Panetta: No. Democrats didn’t like the level of Medicare cuts—

Riley: This was after the summit—
Panetta: Yes, this is after the summit. Don’t forget, we go through the summit, we put some of these pieces together. We’re working on a whole set of enforcement, reconciliation—the whole idea of caps on discretionary, plus pay as you go, all of that is being worked out as part of the enforcement tool on budget. We work out a lot of the spending stuff and then we start on the revenue stuff, and it’s obvious the administration is dicey about that.

Riley: Were you trying to help them?

Panetta: No. Rostenkowski, to his credit, is trying to do whatever he can to get them to come along. George Mitchell, to some extent, is a little more political because he knows that he’s got Bush where he wants him.

Riley: This is the impression that we get from the Republicans. His name is not well regarded among people—

Panetta: Yes, Mitchell always understood that this was the moment when Bush moves his lips, and the ultimate political attack becomes very real. On the other hand, I think everybody recognized there was going to be a point—We went through fees, we went through other things, but to make this thing work, you had to go into tax increases. So that’s the point at which it becomes that much tougher to bring those pieces together and that’s where there is an agreement to adjourn to Foley’s office and work there. In that meeting you’ve got Darman, Nick Brady—

Riley: Sununu?

Panetta: I’m trying to think if Sununu is present, I think he is. Then you’ve got Foley, Gephardt, Mitchell, can’t remember who else. Domenici and I are basically working on the outside, but giving them the information they need to go through the pieces. But most of that discussion is on the tax side.

Polsby: What was Darman like to negotiate with?

Panetta: Darman’s in there too, by the way.

Polsby: What was Darman like to negotiate with? I keep picking up stuff that people don’t trust Darman.

Panetta: I always thought Darman’s heart was in the right place in terms of what he wanted to do. Darman’s problem—I’m not so sure it just began with the summit, I think it probably began before that, as he was trying to get other things through at OMB. I don’t know all the inside, but I picked up that there had been friction between Darman and economists in the White House and Brady going back a long time. Suddenly, at this point, I take Darman at his word. Darman is basically saying, “We’ve got to get this done.”

I think they understand that this is not going to happen without George Bush having to agree to taxes, but their hope is that you put enough spending cuts on the table to soften the blow. I think that was the whole politics of this whole thing. Ultimately, we put the package together, we’re
struggling on the Democratic side to hold Democratic votes on Medicare, because there are some pretty large Medicare cuts. We think we’ve pretty much got the Democrats, if we can pick up some of the Republicans, because that was always the key, you had to have that. I can remember going over to the Senate side, the Republicans are caucusing, Democrats have pretty much agreed to go with this package.

Riley: But this is after the President has made his announcement.

Panetta: That’s correct. We’ve gone down to the White House. Incidentally, when we go to the White House, it’s pretty clear Newt Gingrich is not there at the White House. We’re losing Gingrich and we lose a couple of other members. I think Lloyd Bentsen may have been concerned about it. Can’t remember.

Polsby: Gingrich is not there because Gingrich doesn’t want to be there? Or because the White House doesn’t want him?

Panetta: Combination of both. But I think Gingrich didn’t want to be there, he did not want to bless this thing. I think at that point we all knew that we were going to have some real problems with the Gingrich wing of the Republican Party.

We go back to the Hill. This is a large package now. Don’t forget we’re talking about not only a budget resolution, we’re talking about reconciliation and we’re talking about appropriations, all in one package. This is the largest package. Everything, to some extent, for the entire year is wrapped up in this one package. I don’t think that’s ever happened since. So it is a very big package. We go back to the Hill and we have our caucuses and they’re some tough caucuses, but I think generally it is our sense that we can probably get the Democratic votes we need if the Republicans will show up and provide some votes. And Frenzel and I, as I said, working very closely with Frenzel and our friend from Illinois—

Polsby: Bob Michel—

Panetta: Bob Michel is really working at it. So we’re all over in Mitchell’s office and the Republicans are in caucus and they’re not coming out. I can remember Frenzel coming over and saying, “We’re having some problems.” And I’m saying, “Wait a minute, we’ve got the President of the United States, we’ve got the leadership, we’re ready to go. What do you mean?” He says, “Hey, we’re having some real problems.”

It goes on and on, there’s this long delay and finally we make the decision that—I think we passed it on the Senate side if I’m not mistaken. I’m trying to remember the sequence.

Riley: That’s easy enough to check.

Panetta: You can check and see, but I think we tried to pass it on the Senate side first in order to create some pressure on the House. That’s my recollection, but you have to check. In any event, it comes to the House floor and it goes down. And the Republicans, there are a few moderates that still stick with it, but they lose it. So immediately we’re in a situation where we can’t get this
through. And we suddenly come together and I think the Democrats make the fundamental decision, wait a minute, in order to pick up the Democrats we need to make up for these Republicans who are taking a walk, we’ve got to reduce the amount of the Medicare cut and increase the amount of taxes.

That picks us up some additional Democratic votes and ultimately that’s how we pass it. So we finally get it through, and the Republicans sign off, the Senate signs off, and the administration finally says they don’t like it but they know it’s the only way. Hell, at that point the whole damn session hinges on whether or not—You’ve got to pass this stuff or nothing else is going to happen. Because of that, we’re able to finally get it through and get the bill signed.

I have always said, and I said to President Bush, that it was a very courageous thing to do. It was also a very important step. The passage of those enforcement tools, caps on discretionary spending, pay as you go was very helpful to a budget chair trying to enforce discipline, probably the most important tools. I don’t think we would have gotten a balanced budget without those tools.

In addition, although there was some immediate impact, I think the most important thing in the ’90 budget agreement is that it was a five-year path. It was a five-year deficit-reduction path and it produced some significant savings in the long run that in large measure helped us. It helped move us toward a balanced budget. I thought the President should have taken credit for that instead of later on apologizing for having done it. I understand his concern about the politics, but I think there’s a point at which you have to say, “I’ve done the right thing. I’ve done the right thing for the country.” And I think he would have come across a hell of a lot better than somebody apologizing for what was frankly good policy.

Riley: John, do you have any follow-ups on that?

Polsby: Well, later that same year, the government shut down for a day.

Panetta: Yes. It was actually in the middle of that because we were all operating on a CR [Continuing Resolution]. I think there was a weekend where the CR—

Polsby: It was October 6th, my daughter was born that day.

Panetta: You would remember.

Polsby: My son was born the day Nixon left office.

Riley: Nothing happened on the day my son was born.

Gilmour: You’ll never forget those days.

Panetta: The first time the federal government is shut down it happens over a weekend. I remember, we’re in these negotiations, and I’m walking to the meeting on the weekend, and
tourists are out there and they’re not able to go in and they’re literally yelling at us as we’re going in, because they can’t go into the monuments—

Polsby: Oh, it’s just like a faculty meeting at the University of California.

Panetta: I’ll never forget, four years later and we’re in the shutdown with the Gingrich people, and we’re in the Oval Office and I remember Bob Dole saying, “You know, you could shut the government down maybe one or two days, but you go beyond that they come looking for you.” Those are his quotes, I’ll never forget. I’m sure we were thinking of that time because he was right. We were able to get by on a weekend because you’re dealing with a few tourists in Washington, but man, you shut down the federal government for longer than that—if that was any indication—what the tourists were doing to us going in—you knew you were going to have a blow-up on your hands.

Gilmour: But can you recall what other kinds of lessons you might have learned from that experience? Because then you do have the shutdown again in ’95—

Panetta: Yes.

Gilmour: And I think people must have been shaping subsequent strategies from what they learned in ’90. One thing, later on the Republicans concluded that George Bush lost because of that, and so they were concluding perhaps that Clinton would lose. Was there anything about that experience that would justify that kind of conclusion in your mind?

Panetta: On the Republican side?

Gilmour: Yes, and why they would have believed that.

Panetta: No. Remember this was a revolution, and there were revolutionaries who had been elected based on the Contract for America. I honestly think that deep down Newt Gingrich understood that this was probably the wrong thing to do. But I think to a large extent his hands were tied because he had created this group of members who really believed that their mission in life was to get their budget adopted, to get their contract adopted. And because they had been elected on that basis, they would lose the momentum if they capitulated at this point. So I think they deeply believed that they were going to show to the country just how deeply they believed they were right by shutting down the government. And also I think this is not a group of members that ultimately believes in the role of federal government anyway. To some extent, yes, shutting down the federal government, so what?

Polsby: Newt’s a theoretical thinker, and I think he actually believed that it would hurt Clinton. You’re asking whether there was any justification for it, and the most likely thing is the precedent that that kind of thing hurt Bush.

Panetta: But I also think deep down Newt Gingrich felt that ultimately Bill Clinton would cave in.
**Polsby:** Right, right.

**Panetta:** They really thought that as long as they held tough, and to some extent—Even Bill Clinton sent signals that we could do something here, because Clinton’s basic instincts were always to cut a deal, try to resolve it. I think he may have given them some sense that if they pushed hard enough he would come their way.

**Riley:** We’ll want to deal with this—

**Panetta:** But I think that was part of their thinking as well. On the other hand, I have to tell you, Bob Dole thought this was all nuts.

**Gilmour:** Well, since he thought that after a day or two they’d come after you, he learned the right lesson.

**Panetta:** Exactly. But also at that point Dole was running for President. He knew he needed the Newt Gingriches and right wing of the world to get through the primaries. So to some extent his hands were tied to do it, until you had the series of shutdowns and then Bob Dole finally said, “Enough is enough.”

**Polsby:** You’re one of the right people for me to ask this question. It has always seemed to me that Bob Dole is an example of radical misperception led by inaccurate news media coverage. That is to say, they always had Dole down as a dour, inflexible, stuck in the mud—

**Panetta:** Wrong, wrong.

**Polsby:** And it’s always seemed to me that that was completely wrong.

**Panetta:** Absolutely. I was in the U.S. Senate as a legislative assistant when Bob Dole was first elected, and Bob Dole came out of Kansas as someone nobody particularly viewed as a right wing—

**Polsby:** He was born of a Democratic family. He had an interesting history.

**Panetta:** He came there and he immediately got involved, of course, in agricultural issues. I actually got involved with Bob Dole in a couple of issues when I was on the Agriculture Committee on food stamp legislation. Bob Dole was very helpful on food stamp legislation. He was very supportive, and he worked with us to try to get food stamp legislation through. Secondly, I moved some legislation to provide Medicare coverage for hospice services. I was always proud of that, but I introduced the first bill on the House side. Bob Dole introduced the same bill on the Senate side. So on Medicare and issues like that Bob Dole was always very good.

I remember negotiating with him on reconciliation. Bob Dole was very helpful at trying to negotiate some of this stuff out. I never viewed him as an ideologue. I viewed him always as
somebody who was trying to do things based on what he thought was in the public interest. I have a great deal of respect for him.

One of my great joys was always to watch people—a Tom Foley and a Bob Dole sitting down at a conference, they could cut a deal in ten seconds. They thought alike, they had the same sense of what was right for the country, and it was always a joy. It was what you always hoped others would learn that makes the best of our process when that happens. I always thought, frankly, that Dole in the end might be able to persuade Gingrich to come around.

I think what happened is at that point Bob was worried about his own—This is the beginning of the election year.

Riley: Why don’t we take about a five-minute break and come back and move into ’92?

[BREAK]

Polsby: We’re covering a lot of history here.

Riley: It’s fascinating for us, we talk for days about this. What we will try to do is march ahead. Did you have a declared preference for a presidential candidate going into 1992? Had you endorsed someone in the primary season?

Panetta: I don’t think so. The one time I worked for anybody was Dick Gephardt when he ran, but I think that was in ’88.

Polsby: ’88 would have been his strongest year. That’s when he won Iowa and then got aced out of it by bad publicity, the focus on the Republican, on Pat Robertson overwhelming Bush in the straw poll and that nominated [Michael] Dukakis.

Panetta: Exactly, so I had supported Dick. Then four years later there were a few out there, but I think the answer to your question is, I had not endorsed anybody.

Riley: Some of the evidence in the briefing book indicates you had written something or spoken publicly in a critical way about President Clinton’s economic package. I got the sense that was in the spring or the summer of ’92. I’m wondering if you could reconstruct for us the circumstances that led you to take a public position on this and what evidence you were basing your conclusions on, what you had to say.

Panetta: I think what had happened is that their campaign had issued a plan for trying to deal with the deficit, and I was chair of the Budget Committee at the time. We analyzed it and they had made some assumptions on some of the potential savings that we thought just were not credible. I didn’t disagree with the priorities in it, I didn’t disagree with the description of what he thought was the problem, but to try to do what they had done in terms of achieving some of the savings that they had—
Polsby: Who did the analysis for you? Talk a little bit about the people who worked for you.

Panetta: On the Budget Committee we had our chief economist, a fellow named Joe Minarik, a fellow who worked on the analysis, John Angell, who was my director for the committee. We had some of the key people from not only there but also on Ways and Means who looked at some of the tax stuff for us as well. We did our regular analysis of any proposal that would come in.

I don’t think I went out of my way to put anything out that would in any way undercut it, but I think the press called and asked, “What are the reactions?” I said I thought their heart was in the right place, they were trying to do the right thing, but that some of their assumptions about what the savings would be were not credible.

Riley: Do you recall, were you basing this on their published plan?

Panetta: Yes.

Riley: Did you have any communications, did anybody from the campaign call you after that and—

Panetta: No, they never called and they never really came by to lay out what their proposal was about. I think we just got a copy of the plan that the campaign had put out and analyzed that.

Riley: Did you go to the convention in ’92?

Panetta: Went to the convention in ’92, New York City. I was a delegate from California. I think as you know, members of Congress—

Riley: Super-delegate.

Panetta: Yes, we had the super-delegates in those days. So went there and I’m not sure—was it there or Atlanta?—I was asked to speak on the budget issues and what have you, and I think I spoke. Yes, I remember I spoke and it was close to the day when Clinton was going to appear. I remember, in New York, I had spoken and I was down in the green room area below the platform, and rushing through were Clinton and George Stephanopoulos, whom I had worked with when he was an aide on the floor to Dick Gephardt. I had worked pretty closely with him during all of the ’90 budget stuff and a lot of the budget summits. I remember saying hello to him at that time and he was like 40 feet off the ground because it was all moving in the right direction for these guys.

Then Clinton spoke and I think it was soon after we really had a sense that Clinton and [Al] Gore just might put this together and be able to win.

Riley: You had not had that sense before?
Panetta: No.

Riley: Tell us what your perceptions of Clinton were coming through the primary season.

Panetta: I did not know him personally. I’d met him a couple of times. He came up when he was head of the Governors and they were doing a proposal on education. He was asking to put a lot of money into education and was arguing how important it was. I remember when he made the presentation, I said, “We’re dealing with some pretty healthy deficits, I think it would probably help your plan if you could figure out how to pay for this.” Basically what I was saying to everybody. I think he said something like, “Can’t you just get this out of Defense?” or “Can’t you get it out of something like that?” And I said, “You know, there are probably a lot of areas, but I think it would help the credibility of your plan and the Governors’ plan, if you really want the Congress to pay serious attention to it, to point to some areas where you think the funding could be achieved to get it done.”

So it was clear that he was very bright and very capable and committed. I ran into him a couple of times later. I had to do a presentation where Hillary [Rodham Clinton] was present. I think it was actually a Governors’ conference, and his wife was there and I was speaking on the budget and what was happening on the Hill at that time, so I met her then. My sense was that he was positioned in the right place as a southern Governor and was bright and obviously capable, that he was positioned in the right place, but you still had to believe that a President who came out of the Persian Gulf war, and was an incumbent, that the advantage still was with Bush. That was what I generally sensed.

But as the campaign went on and as Ross Perot got into it and the whole debate began to heat up, and also because you had the sense that, particularly on the economic issues, Bush was not—There just was not the sense that something had to be done in dealing with the economy and there were too many divisions going on. He was beginning to lose some steam. I don’t think I really thought it was possible until he got on the bus with Gore and they began those bus trips and you began to see the public’s reaction. When that happens, you know there’s something magic in the air.

Riley: How well did you know Gore?

Panetta: Very well. We were elected in the same class in ’76 and—

Polsby: Is it true he was a loner in Congress?

Panetta: Gore, actually—

Riley: He nodded yes, just for the record.

Panetta: For the record. Yes, he was. When I was legislative assistant on the Senate side, his father was still in the Senate. I remember his father well and the price he paid with regards to the Vietnam war when he was defeated. I don’t know that I ever met him. It’s possible I may have met him when I was over in the Senate as legislative assistant.
We developed a relationship soon after he was elected. Both he and his wife were very pleasant and bright and able people, but clearly as we continued he was the kind of guy who liked to work his own issues, do his own thing, develop his own press. It was not like he would build coalitions or try to work his way into building bonds with the rest of the Congress. He was focused on his issues, his agenda, and doing his public relations thing.

Having said that, we used to have a group in the House that played basketball in the gym. It was both Republicans and Democrats and we would go down to the gym if there was a long debate, in the afternoon or the evening. And we would play games down there and we played games to about, I think the net was low enough that you could fit in four or five games. He would come down and be part of that. So we developed a relationship based on that and then Tom Downey, who was one of these players, developed a close relationship with him as well.

Later on, Tom Downey would have dinners and he would invite Al, even after he got elected on the Senate side, to participate in those dinners. So we developed a close personal relationship.

**Riley:** How good a basketball player was he?

**Panetta:** He was a very good outside shooter, which might even reflect his politics.

**Polsby:** Do you know the political scientist Alan Ware played basketball with Clinton at Oxford, and he said Clinton was definitely second-string material.

**Gilmour:** Would Gore pass the ball?

**Panetta:** No, Clinton was not good. Gore did not pass the ball very much, basically he was a huge outside shooter, outside the circle. He’s what you call a three-point shooter.

**Polsby:** Didn’t have three points in those days.

**Panetta:** No, we didn’t have three points.

**Riley:** And Leon Panetta’s strengths on the basketball court were?

**Panetta:** I passed the ball a lot. [laughter] I had a good shot from the corner, that was my claim to fame. He had a two-handed shot from the back court, and he and Norm Dicks from—

**Polsby:** Washington.

**Panetta:** —Washington.

**Polsby:** Great guy.

**Panetta:** Norm Dicks, every time he’d make a shot he’d yell “Husky!”
**Polsby:** His son’s at our law school.

**Panetta:** Is he?

**Gilmour:** When you interviewed with Clinton in late ’92, was it clear that you were up for OMB only or were you being considered for other positions as well?

**Riley:** If I could ask one question before we get to that. Did you do anything in the campaign for the—

**Panetta:** Not very much. I remember I got some calls from Gene Sperling—

**Riley:** Right.

**Panetta:** During the campaign, as they were preparing for some of the debates—

**Polsby:** Had you known him before? I mean, is there a budget Mafia somehow that exists?

**Panetta:** No, but I think both Sperling and Bob Reich were working the economic side for him. I remember getting some calls from them asking, “Are we on the right track? What do you think?” They knew that their whole deficit issue was being exposed to a lot of national attention, so they were asking “What are some of the pitfalls here that we have to avoid?” Particularly with Perot back in the campaign and Perot basically emphasizing the deficit issue. That was his strong point.

**Riley:** Elaborate on that.

**Panetta:** I think that’s one of those campaigns, frankly, where if Ross Perot hadn’t gone off the deep end, both getting out and then getting in and then having this screwball for a Vice President, I think Perot probably could have been a much stronger force. But he was effective. I give him a lot of credit because he was effective at bringing the deficit issue to the front burner, and a lot of people focused on it as a result.

**Riley:** He brought a lot of people down to consult with him. Did he ever call you? Did you talk with Ross Perot?

**Panetta:** No.

**Riley:** I guess John’s question about your original meeting—

**Panetta:** I think the first thing is that Bob Reich comes by the office.

**Polsby:** He was doing the recruiting on the economic side. He recruited Laura Tyson, I know that.
Panetta: I didn’t know that. Bob Reich came by and it’s that Robert Redford scene like, “What the hell are we supposed to do now?” And he says, “Now we’ve got this huge deficit issue and we’ve got to deal with budgets,” and it’s suddenly an academic coming-to-Jesus and seeing what really had to happen here. He came in and said, “We’ve got this huge challenge.” I remember talking to him, saying, “You’ve got to confront, first thing that’s out of the box is the budget, that’s the thing you have to focus on. That will define you as an administration and it will tell the country whether you’re serious about dealing with it or whether you want to continue the same dance that Bush was engaged in.”

Polsby: But he didn’t agree with you.

Panetta: Reich?

Polsby: Maybe I’m wrong about this, but it seemed to me that you and Bob Rubin were one gang in there but Bob Reich was definitely not on that side.

Panetta: Bob Reich was more interested, obviously, in how to develop funding for the priorities that the President needed to care about. He was much more attuned to that. But for the purposes of that first meeting, he also recognized that it was developing the gut awareness that you suddenly develop when you have this huge responsibility of, How do you get to where he wants to go? Even a Bob Reich knew that for him to get there, he had to walk through the deficit fire.

Riley: This meeting took place in Washington?

Panetta: Yes, it took place in my office in Washington.

Riley: Do you remember how soon after the election this took place?

Panetta: It wasn’t that long, it was within a few weeks of the election. The next visit was Warren Christopher coming by—

Riley: In Washington.

Panetta: —in Washington. He came by the office and basically said, “Look, we’re trying to talk about names for the economic team, what are some names?”

Polsby: That’s right, he ran the transition.

Panetta: Exactly. He’s the one running the transition, and he’s basically developing the names for the Cabinet. I had known Warren Christopher from the Carter administration. He’s asking for names for Secretary of the Treasury, and he’s asking about OMB, and I think he may have even asked about Commerce. So we’re talking through some names. I said, “You really have to get people who are credible and are going to give you the best information possible.” I don’t honestly remember from that meeting that there was any discussion about whether I would be interested in OMB. I think it was more, “What are the names you can come up with to talk about?”
So we go through those two meetings and then the next thing I know, we’re in a congressional break after the election. I think I was pruning apricot trees and my wife calls from the house that Warren Christopher is on the phone. Christopher says, “Can you come down to Little Rock to talk with the President-elect about economic policy and just have a conversation with him?” Now, by that time you begin to get rumors that the press is starting to speculate on names for the different Cabinet positions, but on OMB my name is at least beginning to be circulated in the press as a possibility.

So I go down to Little Rock. Because of the press attention, when you got to the airport they’d put you into I think it was an SUV that had darkened windows so the press didn’t know who the hell was going in to see Clinton. I can remember going in the back of one of these darkened vehicles, and obviously the press is out there with the cameras. They know these vehicles are holding all these individuals who are going in to talk to the President. They take me into the mansion and let me off and I go in. They ask me to wait, and I remember Hillary Clinton came in. She came up and introduced herself and talked to me and we exchanged some nice words. Then I was asked to go up and speak to the President.

So I went upstairs in the mansion and went in a room. He came in and he was very interested in not only talking about how you deal with the deficit, but he was particularly asking, “What is the process for getting this done? What will I have to go through here? What am I facing?”

Because of my own experience on the budget, I said, “This is what you have to do. Your first challenge is going to be to put a budget together. You’ll have to make revisions on the Bush budget, and then you’ll have to put your own budget together and it’s in that budget that you will essentially set the path for your administration. You’ll have to confront the deficit issue, you’ll have to decide what your priorities are. That budget will be THE document that defines you as an administration.” He asked, “Then what happens?”

I said, “You’ve got to pass a budget by April 15th. We’ll get your budget through.” I continued to be Chairman of the Budget Committee at that point. I said, “We’ll get your budget through and then you have to implement it. Probably the next biggest step is reconciliation because whatever you put in that budget, the way we will implement it—” Don’t forget, we had a Democratic House, Democratic Senate—

Gilmour: Was he familiar with any of the process?

Panetta: No, he was not that familiar with it. Again, with a mind like Clinton’s it’s amazing, he grabs this stuff very quickly. But it was, “What is reconciliation?” To some extent he was still Governor of Arkansas dealing with how a Governor deals with a budget. For him, developing a budget was a line item by line item process. He understood what you had to do to go over to the legislature and get it passed, but these were all foreign processes now. Reconciliation was a whole different ballgame.

So we talked through reconciliation. “Because that’s the key,” I said. “If you’re going to cut spending, if you’re going to raise taxes, you’ve got to do it through reconciliation. That’s a very
important vehicle.” And I told him why it was very effective on the Senate side, because you could avoid a filibuster. So we talked through that and I said, “You do reconciliation and then you do the appropriations process,” and it was like Budget 101. I said, “The appropriations process you’re going to have to get spending, that’s where you really have to concentrate to make sure that the priorities you care about—whether it’s education, job training, research, whatever your priorities are going to be—it’s the appropriations process that you’ll have to go through. And that’s probably more in line with what you had to do in the state to make sure you get the funding you want for those programs.”

In essence, I painted the picture of what you as President of the United States have to do to take your priorities, take your agenda, and get it accomplished through the legislative process.

Riley: But at that point you weren’t talking about the priorities, you were just talking about the process.

Panetta: We were really talking process. And he was asking a lot of questions. This meeting went on for about an hour and a half. It was a long meeting. I think we might have been interrupted by one phone call, but it was a long, very in-depth meeting about, What is this process that I’ve got to go through? I was being very frank saying, “You can’t get this done any other way. You’ve got to walk through these hoops.”

Gilmour: Was he sounding you out at all about your level of interest in being in the administration?

Panetta: Not really. Throughout this conversation it was all very substantive and very much devoted to the budget process, reconciliation, how do you piece these things together, what do you do to deal with the deficit, what do you recommend, what are your thoughts on that. It was all very substantive. At the very end he said, “Do you have any interest in the Office of Management and Budget?”

At that time I said, “Look, I’m Chairman of the Budget Committee on the House side. I know the process up there. I may be able to help you better in that position. But any way I can help you as President, this is the one opportunity where, for the first time in a long time we have a chance, with you as President, a Democratic House and a Democratic Senate, to set an agenda here that not only confronts the deficit issue, but really does lay out these priorities. To a large extent, you don’t want to undermine your team on Capitol Hill.”

I said, “I come from a district that isn’t necessarily Democratic.” Although I’d won it, I was at that time winning by 75 or 80%. I said, “It’s no guarantee. What you don’t want to do is try to get somebody who ultimately can’t protect a safe district for you.” That was my first reaction.

Riley: If I can ask a question here. On your own career path at that time, had you reached the conclusion that you were going to stay in the House of Representatives and make a career out of that? Were you thinking about coming back and running for state politics, were you looking at the Senate?
Panetta: Going back to my days with Kuchel, I had always looked at politics as a day-to-day thing. I always felt that, having seen it in the time that I served both as legislative assistant and as member of the House, the best thing you can do as a member is do the very best in what you’re doing and if other opportunities come along, fine. But I had seen this in too many friends who had run for other offices, that if they make a decision that they’re going to run for President or Senate or whatever it is, they start to cut corners just instinctively. I never wanted to be in that box. I always wanted to say, “I’m going to have to make tough decisions on votes, especially in the budget process.” The budget process is not exactly a stepping stone.

Riley: So when the invitation to join the administration comes, that’s not interrupting a very well-established plan—

Panetta: No, no. It actually plays pretty much into my view of playing politics on a day-to-day basis. It was an opportunity. It did mean I had to take the time to say, “Where do I think I can have the greatest impact?”

The year before, I had developed in the House a ten-year plan to try to balance the budget. I sat down with Republicans and we put it together and published it. We said, “If you really want to get to a balanced budget—” I remember John Kasich and others, we really spent some time on the Budget Committee working it through. But as I went through that process, I knew deep down that unless you had a President who was committed to getting it done, it would be very difficult to do. And you’re almost stuck in fighting this out, battle by battle. But if you have a President who’s really serious about dealing with this, and a Democratic House and a Democratic Senate, you could for the first time put together something that could make a real difference in terms of reversing the deficit path we were on.

Riley: You didn’t give him an answer at that meeting.

Panetta: I told him what I told you, that my value on the Hill, what I could do, was my knowledge of the budget process. I would be working closely with the Senator from Tennessee who was Chairman, Jim Sasser, on the Senate side. We had a good relationship and could get a package put through, and he had to recognize the value of that. But I think I did say, “Look, you’re President of the United States. Any way I can serve you effectively in that process I would consider.”

Riley: So the announcement is made December 9th or 10th, as I remember, early in December.

Panetta: Yes. I had gone to one of those Kennedy functions where they’re honoring the Kennedy awardees, it usually happens in December—

Polsby: The show business ones, the ones at the Kennedy Center?

Panetta: Honors, I think is what they call it. I was there, in my tuxedo, sitting in the orchestra, and they’re going through the honors. At that point it was playing out in the press, there were rumors because everybody was waiting to see what the new President was going to do. I get a note handed to me that I’ve got a call from Warren Christopher. So I get up and go out to a pay
phone and Christopher is on the line saying, “The President would like to have you come down to Little Rock. He wants to announce your appointment as Director of the Office of Management and Budget.”

I said, “Well, I’m honored. I’m right in the middle of the Kennedy Honors, so I’ll call you back later.” So I called my wife and talked with her, and we made the decision that this would be an interesting challenge to take on. I’ve done that most of my life. I think they had a plane go down from Washington to Little Rock, and we went down together for that, and at that time they were announcing the economic team.

The one thing I can’t remember, I think it was in a phone conversation and it may have been when I called Warren Christopher that he asked, “Would you have any problem having Alice Rivlin as your deputy?” Because Rivlin was being mentioned for Director of OMB.

Riley: Right.

Panetta: I had worked with Alice when she was at CBO [Congressional Budget Office], and I had a great deal of respect for her. So I said, “No, I don’t think so, that would be fine.” So they said, “Well, if we could do that, that would help us a lot.”

Riley: Did you interpret that in any particular way at the time?

Panetta: Well, I figured that this was what they were offering Alice as a sop to having me become Director of OMB. Also I had heard that Tom Foley, Gephardt, I think, and Mitchell had made a very strong argument—they had gone down to visit with the President because they were the leadership, and they had made a very strong argument that for OMB Director they wanted me because I had worked with them. I think they were a little nervous about Alice because Alice, as CBO Director, had been pretty independent.

Polsby: She’s not very political.

Panetta: Yes.

Polsby: She’s a wonderful economist. I’ve known Alice for 40 years. She’s a wonderful economist, she’s a straight shooter, but she doesn’t think politically.

Panetta: No, I think she thinks substantively what’s right for the country, it ain’t gonna happen—

Polsby: And that will never do.

Panetta: I think that’s what made the leadership nervous about it. I’d heard that they had made these arguments, and there was more and more picking up on that front. So I can’t tell you that I was completely surprised when I got the call.
So we go down and they’re announcing the economic team. I’m trying to remember if they had made any other announcements. I don’t think so. I think this was probably the first big announcement that they were making.

Riley: My recollection is that you’re correct.

Panetta: Although they maybe announced Mack McLarty as Chief of Staff.

Riley: I don’t think so. There’s a fair amount of your own commentary later on when you become Chief of Staff about the desirability during the transitions of getting the White House staff put together.

Polsby: First.

Riley: Yes, first, and my recollection is that part of the holdup here, and we’ve got some testimony to this effect, is that they had offered McLarty the position but it was sort of on hold. He wasn’t ready at that point to make up his mind.

Panetta: It seemed to me that at least the format for their announcements had been established. They were doing this out of an older building there, they knew where they were going, we all had tags on the floor. I don’t know whether they had made any other announcement or not.

Riley: That’s easy enough to check.

Panetta: Clearly this was the first major announcement of a group to come in. As I recall, they were announcing Ron Brown as Secretary of Commerce, Lloyd Bentsen as Secretary of the Treasury, me as Director of OMB, Alice Rivlin, and I believe Bob Reich, although I’m not sure.

Riley: Was Bob Rubin?

Panetta: I’m sorry, Bob Rubin, that’s right.

Polsby: And not Laura.

Panetta: I don’t think Reich and I don’t think Laura.

Polsby: Now, your prior relations with this group—

Panetta: I knew everybody there. Worked with Lloyd Bentsen a great deal when he became Chairman of the Finance Committee, so we had a long relationship. Knew Ron Brown from politics really because Brown had headed up the Democratic Party and I had worked with him in that capacity. Knew Bob Rubin because we had a number of conversations with Rubin and other people from Wall Street to talk through deficit problems, budget problems, etc. He was pretty active and he would come to dinners and participate with the Democratic leadership. And of course I knew Alice. So I knew most of the team. I think you’re right. I don’t think Laura Tyson was announced at that time. And I don’t think Bob Reich was announced at that time.
**Polsby:** Talk a little more about Rubin, who was characterized early on as a laid-back person and one who did not attempt to put his stamp on conversations and things of that sort.

**Panetta:** Bob Rubin’s style is very interesting. His basic style is to be very self-effacing in the sense of saying, “I’m from Wall Street, ask me about securities, ask me about bonds, ask me about that, I know that. But when it comes to politics and Washington and all of this, I don’t really know a lot.” The reality is that he does have some strong opinions about what he thinks is the right policy. But his approach is always to stay back and not immediately drop in. In the end Bob Rubin has, I think, some very strong views about what has to be done with the deficit, what has to be done with the budget, and is very effective in helping to argue that we’ve got to stay on path with regard to putting together a tough economic plan, because that’s the first major challenge we face.

I’m asked soon after the announcement to come back to Arkansas and participate in a discussion about how we put this first economic plan together. What’s happening in terms of the economy? So we put together a presentation that becomes the beginning point for the discussions. At that point there’s a lot of serious discussion about if you take on—it was the arguments I’d heard for years but all being played out again. You do serious spending cuts, you do serious tax increases. You’re taking on some heavy political heat. At the same time there was concern about whether you create a drag on the economy and how long it will take for that to turn around, so you begin to see the rewards for taking on some of these hard decisions. There’s debate between having to do that, and there’s also the debate about whether the economy needs a stimulus at this point to try to jump-start it.

At the same time you’re trying to work on this other plan, and there are some disputes about that. Then, of course, when you get into tax increases, there’s a whole debate about do you do this on energy taxes? Do you do it on income taxes? Do you do tax reform? What are the approaches that you take? It’s a pretty tough discussion.

**Riley:** Were you involved in the economic summit at Little Rock?

**Panetta:** Yes.

**Riley:** As an active participant?

**Panetta:** Yes. I was at the table as a participant. Who invited all the people, I’m not quite sure.

**Riley:** Mickey Kantor, I think, was doing most of that.

**Panetta:** Yes.

**Riley:** Did you think that was a valuable exercise? I’ve heard some testimony from some folks who felt it was a lot of energy invested in something that didn’t have a great deal of payoff, assuming that the hard work you’re describing must have been taking place on the side in a set of private meetings.
**Polsby:** That’s right.

**Panetta:** As with all of these things, I think they wanted to continue to emphasize that it was “the economy, stupid” that had to be done. They recognized how important that issue was to Bill Clinton getting elected. That it was important to emphasize that his full concentration was going to be on the economy. I think Bill Clinton and Al Gore both viewed this, but primarily Bill Clinton—I think Bill Clinton really does want to hear a multitude of voices that talk about these kinds of issues. He really does want to hear what people have to say about what you need to do. There’s no question in my mind that there is a real sincere interest in trying to get some smart people around that table who can talk about the state of the economy, what needs to be done, how we address the deficit issue, how important it is, what are the consequences of that? He is really anxious to hear those viewpoints.

But the second part of it is that there’s no better way to convey to the country a new President’s primary interest than to have that conference take place up front and immediately to talk about the economy. That clearly is the driving force for this new administration. So there’s certainly a PR aspect to doing that.

As to what comes out of it? I do think it helped to reinforce in the President the importance of having to confront this, that this wasn’t just something he could pay lip service to and then go at what he really cared about in terms of priorities as President. I think it does help reinforce it. Did you come out with a 1-2-3 program for what you really need to do? No, I don’t think that happened. But it certainly did help digest some of the issues that had to be dealt with, and I think it probably helped reinforce in the President the fact that, as he listened to some of the CEOs and people who were out of the securities market there, he did indeed have to confront the deficit issue.

**Gilmour:** The composition of the economic team is interesting, because I think all of its members were fairly conservative on the deficit issue, more concerned about the deficit issue than stimulus. And none of its members were previously close Clinton associates. And this set things up for a battle later on.

**Panetta:** Yes.

**Gilmour:** Do you think Clinton had decided, in forming the economic team as he did, that he wanted to emphasize deficit reduction over investments, or—

**Panetta:** If you try to reach into his mind, what gives him the incentive to go with that? I think he really wanted the best people possible in terms of the substance of the issues. He wanted people who knew the issues but, in addition to that, knew the politics of how you get it done. When you look at it, with the exception of Rubin and Rivlin, the fact is I, Lloyd Bentsen, even Ron Brown to some extent knew the political process of not only how you take it, but how you get it done through the institution of the Congress. I think that was his number one thought.
He wanted to make sure that whatever he put in place could get done. To do that he knew he had to have some pragmatists, people who knew the system and knew the process. Even though they were not long-time loyalists, long-time buddies, long-time political pals. That was not what he was looking for. I saw that even throughout his Presidency. He wanted to be with people who not only (a) knew the substance of what they were talking about, but (b) were pragmatic enough to know how the hell to get it done. I think that’s why he put that team together.

Riley: In one of the readings someplace in the book, and I think it may have been your last press conference at OMB before you went over, Bob Rubin is talking and refers to a series of meetings that must be the same series of meetings. He says that the President was presented with five scenarios for how his economic package would look—

Polsby: That was an odd number.

Riley: He selected the one that was the toughest on the deficit. Do you recall the composition of those five? Is that asking you to stretch your memory too much, or can you recall much about your discussions about which of these various proposals you wanted to adopt?

Panetta: We at OMB put together the different options, and I was a believer in that. I’m a believer that the best way you force the debate in the right direction is by presenting options that give you the extremes, then give you something a little closer to the center and then give you something that you think probably makes the best policy sense in terms of doing it.

I know we developed several options, one of which basically put more on the revenue side as opposed to the spending side, and then one that did just the opposite, putting more on spending and less on taxes. Then we developed several that brought it closer to—Frankly, the amounts to some extent might vary based on what approach you took as to what would be doable. I think the $500 billion deficit reduction plan was the one that if you really want to do this and you want to split it 50/50 and do $250 in this and $250 in that, this was the path to take. And that was the one the President ultimately decided made the best sense. But it clearly involved some very tough decisions. Bob Rubin was right.

To some extent I always knew Lloyd Bentsen would be supportive of a tough approach on it. I knew Bob Rubin would be, I knew I would be. And to a large extent Al Gore helped a great deal. Gore and Clinton, having been through the campaign together, had developed an interesting relationship. It was one that I had never really seen develop before between a President and a Vice President, and part of it was the southern background, they both were from the South, they both talked to each other in what I would call the “South” kind of approach. But it was clear that the President had a lot of respect for Gore’s experience on the Hill. Now some of us might have questioned whether Al Gore was the best political voice to listen to because he had done a lot of things on his own.

Polsby: Arguably that decision was by far the most important single decision made in the first Clinton administration.

Panetta: I think that’s right.
Polsby: Now, the way it’s told in a lot of history books is it tore Clinton’s guts up to—He thought of himself as presiding over the third Eisenhower administration.

Gilmour: Is that depiction accurate?

Polsby: Right. And he didn’t actually see how it would change the economy.


Polsby: Yes.

Panetta: Well, there’s no question he goes through a lot of turmoil because it’s in his nature, period. His nature is that he wants to hear all of the views as to what needs to be done, what is in the best interests of the country.

Polsby: And then not choose.

Panetta: Then not choose but weigh the politics. What are the political implications of doing that? Then his hope is always that somehow he can merge these two in a way that not only gives him the best policy but gives him the best politics. That’s his consummate dream. That he can always, no matter how far apart these things may be, because he’s able to look at the politics, he’s able to understand the substance, ultimately he can find the right chemistry to bring these two together. That’s the way Bill Clinton operates. If he can’t find that magic chemistry at the end of the road, it’s frustrating.

Gilmour: When Ronald Reagan saw that, when his aides disagreed, he wanted them to go away and solve it and then come back with a solution. Clinton didn’t do it that way.

Panetta: No. He wanted to hear the options. He knew the politics, but he wanted to hear the politics of it. The [James] Carvilles and the [Paul] Begalas of the world always told him what the politics were of a lot of what he was dealing with, but he himself knew a lot of the politics of it. He had a pretty good sense of it. So here he is, suddenly having to take what is probably going to be the single issue that will identify this administration for the future. It’s all about the economy. He won based on the economy, and now he has to confront this issue.

Suddenly he’s facing, “I’ve got to make these very tough decisions substantively.” He’s hearing from Rubin, he’s hearing from me, he’s hearing from Alice Rivlin, he’s hearing from Lloyd Bentsen, he’s hearing from Al Gore: “Yes, you’ve got to take on these tough decisions.”

Polsby: And you guys are all guaranteeing him pain, but the question is, to what extent you foresaw—

Panetta: That’s right.
**Polsby:** —the upside, what it did to the economy.

**Panetta:** And to that extent he really begins to ask, he asked the Laura Tysons of the world, he asked the Bob Reichs of the world. Who else, Laura’s deputy, starts with a B?

**Polsby:** Al Blinder.

**Panetta:** Al Blinder’s there and he’s asking Blinder, he’s asking Laura, he’s asking Reich. He’s asking the economists, “If I go through this firestorm, do I turn into Eisenhower because I basically tied my hands and nothing’s happened, and I created a lot of pain? Or, in fact, is there a turnaround point at which the economy responds?” And they’re pretty forthright about it. Blinder basically says, “I think this is the right thing to do, and yes, it may take four to five years. This is not going to turn around overnight.”

**Gilmour:** Not a timeframe the President wants to hear.

**Polsby:** No. Three years, yes.

**Panetta:** But you’re talking about an economist, and an economist is telling him straight.

**Polsby:** But that, it seems to me, is what made it a remarkable decision. In hindsight you say, “Of course you do that, look at the benefits you’ve got.” But my impression was you guys weren’t putting the benefits on the table.

**Panetta:** No, there was a lot of pain on the table.

**Riley:** Which got complicated during the transition, right? You get revised deficit figures, you throw about a month’s worth of work out the window.

**Panetta:** That’s right. We worked based on what we thought the deficit was going to be, and suddenly we’re dealing with a much larger problem. Of course, that reinforces the arguments we’ve all made. But it makes the challenge that much greater, and suddenly we’re looking at $500 billion in deficit reduction of one kind or another. And in Arkansas in particular, there were some discussions that took place in which the President reflected great frustration. He’s sensing that again this challenge of taking the substance of what needs to be done and the politics of it don’t quite come together in the way that he would like.

Yet we keep stressing to him that if you want to come out the other end, if you want eventually to do the priorities you care about and have the economy turn around, you’ve got to walk through this and do it. Yes, it’s a challenge and yes, there’s going to be pain, but for the first time you have a chance as President of the United States to have the country turn that corner.

**Polsby:** Let me raise another long-range issue that’s brought up in that press conference, the briefing that you had. Bob Rubin in that briefing talks a great deal about the integrity of the numbers. Now, my recollection is that under Johnson and Nixon, the integrity of OMB numbers was destroyed.
Panetta: Yes.

Polsby: From that period onward, CBO numbers were the only numbers that counted. Of course, you lived through that period. I’m wondering if that impression is right, and just as a kind of a curlicue on the end, give me your thoughts about dynamic scoring as a way of—

Panetta: [laughing]

Polsby: —basically doing to CBO numbers what Johnson and Nixon did to OMB numbers.

Panetta: Well, your premise is basically right, that generally the Office of the Budget, as it was called in the old days, was a credible operation in terms of the numbers. Then gradually, as Presidents recognized that they could achieve their goals by manipulating some of these numbers, particularly on estimates—It’s more the economic projections and the estimates, the rosy scenarios that you project that allow you to start playing games and to create more room in a budget. So that was done during the Reagan administration, during even the Bush administration.

CBO developed the reputation of trying to call it as it is. That was the Congressional Budget Office, which was established, incidentally, by that Budget and Empowerment Act, and became a very credible operation for looking at the numbers. They did not play games and that’s why Alice Rivlin sometimes ran into trouble with leadership in the Congress. They sometimes wanted to be able to move some of these numbers.

One of the things I tried to do, that I felt was very important, and we did this at the beginning of the ’90 agreement, was to bring OMB and CBO closer together in the estimates. We thought it was really important, if you want the administration and the Congress to work together, that in the very least you ought to agree to the numbers on estimates, projections, etc., and then make evaluations in terms of defense numbers, etc., on the same basis. And we made some progress on that. I think both OMB and CBO came much closer together in terms of estimates. When I became OMB Director, one of my goals was to say, in line with what Bob Rubin had said, “We want to present honest numbers, we want to present credible numbers that we can defend, not only with the Congress but with the rest of the country.”

On dynamic scoring, there have always been—if you’re working on honest numbers, you run into a lot of walls. It all began with the disciplines that were put in place in the ’90 budget agreement, which created this hell whereby if members wanted to increase entitlement spending or cut taxes they had to pay for it. And to a large extent it shut down the Republicans from cutting taxes, and it shut down the Democrats from increasing entitlement spending. Republicans, of course, were always frustrated because they’re always saying, “If you have to cut taxes, why do we have to pay for cutting taxes?” when, in fact, you’re cutting taxes to stimulate growth. I can remember going through arguments. We did that in the Budget Committee time and time again.

The argument began there and I think the Republicans always began the argument, “Well, wait a minute, if you cut taxes and it creates growth in the economy, why can’t you take that growth in
the economy into consideration in terms of cost estimates?” The counter argument to that was, “If you’re going to argue that you really ought to consider economic growth in determining cost, why can’t you do that on the spending side as well? If you’re going to invest in education, if you’re going to invest in highways, if you’re going to invest in construction, if you’re going to invest in infrastructure, if you’re going to invest here, then why shouldn’t there be a formula that basically says, the good that comes from that ought to be part of the process.” And that’s where dynamic scoring suddenly would go off a cliff and everybody would say you couldn’t do that. So the Democrats have checkmated the Republicans and dynamic scoring never went anywhere. It’s now an argument that’s resurrected by them.

My view is this. Every time you confront big deficits, there isn’t a member of Congress who doesn’t look for magic answers, and the magic answers that developed during the ’90s were a constitutional amendment to balance the budget. That will solve all our problems. Just change the Constitution. Then we’ll all have the guts to really confront this issue. So that became one of the magic answers. Line item veto became another—

Polsby: You remember Herb Stein’s great line that what he wanted was school prayer to balance the budget. [laughter]

Panetta: So you always come up with these quick answers, and today’s magic answer is dynamic scoring. Of course we can cut all these taxes. All you have to do is implement dynamic scoring, but I thought that was really a way to undercut the honesty of the numbers.

Gilmour: As you were putting together the economic program at the beginning of 1993, what kind of opposition, public and private, did you encounter from people in the administration who were more in favor of investments and less in favor of deficit reduction?

Panetta: The greatest thing I learned about the difference between the Congress and the executive branch is the wondrous power you have in the executive branch to make decisions in a small room with the President of the United States and a few policy makers and then say to everybody else, “This is what you’re going to do.”

In the Congress that doesn’t happen. In the Congress you have to sit down with every chairman, with every coalition, with every group. And you’ve got to be able to cut whatever deal you can and modify it and compromise it so that ultimately you build enough majority vote to get done whatever you need done. And it takes a hell of a lot more cajoling and a lot more deal-making to be able to get that.

In the executive branch the President of the United States makes decisions and by God, that’s what happens. Does it demand loyalty? Yes, it does, a hell of a lot of loyalty, and for people who may disagree with what the President is doing it probably creates a lot of aggravation, but in the end they do it.

That first budget was developed in the Roosevelt Room, sitting down, walking through—

Polsby: No windows in that room.
Panetta: No windows in that damn room, absolutely right. We were in the Roosevelt Room. To the President’s credit, he’s there. He’s doing what he probably did as Governor, and it’s also a learning process for him because he wants to know every damn line item we’re dealing with, and we’re presenting that. I mean, you want to go through agriculture, every recommended cut in agriculture, what the program is. He wants to know what the program is, what the implications are, who’s getting screwed, what the politics are, every one of those things. So we’re walking through that.

But in that room is a pretty limited group that includes the President, the Vice President, the Secretary of the Treasury, their staff, OMB—probably the biggest contingent there because of the staff I needed to have in the room to make the presentation. We had Bob Rubin, we had Alice Rivlin, Ron Brown, Bob Reich. I think that’s pretty much it. You had Laura Tyson, some of the economists there. So that group is really making the decisions. We’re walking through it, we’re presenting briefings on each one of these things. I’ve got the charts on the board that outline how much we’re trying to get from entitlement spending, how much we’re trying to get from defense spending, how much we’re trying to get from revenues. There are always these kinds of formulas. It’s a lot of the same charts that I had to present in Congress. Because it always comes down to a few basic issues, which are, how much are you going to get out of defense, how much are you going to get out of revenues, how much are you going to get out of entitlement savings, how much are you going to get out of discretionary spending, and how is this balanced in a way that gets you to the deficit reduction target?

So we’re walking through all that and when we finally come down and we’re making decisions on agriculture, on commerce, on transportation, on highways, and let me tell you something, Secretaries of those Cabinets are not there.

Riley: By design, that’s obviously by design.

Panetta: That’s right. And after we come to a decision, I take those numbers and of course then you’ve got to go through the OMB process. But I take those numbers and I sit down with each of those Secretaries and I basically say, this is what we’re doing.

Polsby: That’s one of the great big changes in the modernization of the Presidency. Harry Truman used to have to take a bunch of nickels and make phone calls and ask his Cabinet, What are you doing about this, what are you doing about that. Not anymore.

Panetta: That’s true, it is a reflection of that.

Riley: During this process, are Cabinet members availing themselves of back channels to try to get these things reversed or is there enough discipline—

Panetta: No. To some extent, most of these new Cabinet Secretaries are in the process of first going through their own confirmation process. Secondly, trying to figure out who the hell is going to be their deputy assistant secretary and their assistant secretary and trying to put their teams together.
Riley: So you got the jump on them.

Panetta: So we got the jump on them. They’re spending a lot of time trying to organize their departments and we’re on a fast track here. Don’t forget, we’re suddenly putting out a budget, we’re doing revisions on Bush, but we’re then putting our own budget out. When do we do it? Latter part of February or March, I think it was, early part of March is our budget.

Polsby: This is the Democratic story. Remember the Republican story. Ronald Reagan neglected to appoint assistant secretaries, so Stockman could screw people without having anybody complain, remember that? So this is a little different, because obviously there is a positive approach toward government involved.

Panetta: So understand that if it’s a defense issue, I had to sit down with Les Aspin, and of course Les Aspin may be trying to appoint his team, but he has the Joint Chiefs of Staff, he’s got a team in place. So there you’ve got a bureaucracy that pretty much is hitting the ground running.

Riley: Right.

Panetta: So I had to deal with him and make sure he didn’t think there was anything there that was going to blow up defense, but I had worked with Les in the Congress so we had a pretty good relationship.

Polsby: This raises the issue, probably you’ll want to deal with this more later on, but the power structure of the White House. Everybody said there were basically three power centers, Chief of Staff, First Lady, Vice President. Is that roughly it? Because you didn’t mention Mrs. Clinton in this round.

Panetta: No. Mrs. Clinton was clearly involved in Arkansas, but when it came to Washington she wasn’t at all the meetings the same way as in Arkansas.

Polsby: So at least early on—

Panetta: By then I think she was already beginning to get involved in the healthcare issue.

Polsby: So that meant she was sort of specializing for the time being.

Panetta: That’s right.

Riley: But she didn’t have any representatives in the room when this was going on?

Panetta: No, not really. I think it’s fair to say too that if she had a real problem with what was going on, she would have raised it.

Riley: Was George Stephanopoulos in these meetings?
Panetta: Yes, he was.

Riley: Because he’s the one—

Panetta: He’s bringing the politics, where the minefields are in the political process.

Riley: And is Gene Sperling in the room at this time?

Panetta: Yes.

Riley: Those were two people who were sort of the keepers of the—

Panetta: They were the keepers of the conscience, the campaign conscience.

Gilmour: Are they objecting, “You can’t do this, Mr. President, because in the campaign—”

Polsby: “You promised otherwise”?

Panetta: I learned early on that the most important thing was to bring Sperling in. At OMB I basically took Gene and sat him down at the table. I said, “This is what we’re going to present, now you tell me where the campaign minefields are.”

Polsby: Why did you do that? What was it about him?

Panetta: Because I knew that in a room if he suddenly said, “Oh, Mr. President, you didn’t…” it would blow up everything. So I learned very early that it was better to know Gene’s thoughts, what he said or didn’t say.

Riley: Do you remember any specific instances where these things blew up? You said you learned very early. I’m just wondering if you recall any specific instance.

Panetta: At first you’re involved with OMB so there are only so many bases you can touch. Besides that, you’re sitting in a room with all these other key advisors, so you just assume that that’s going to take place. I’m trying to remember the policy area that Sperling may have mentioned, I’m sure it had to do with education. I’m sure it had to do with one of the issues that the President had emphasized.

Polsby: So it wasn’t just technical mastery, but rather campaign memory that was—

Panetta: Yes, and when he said, “This is what you said in the campaign,” and the President said, “Oh, yes, I can’t do that,” I suddenly realized, okay, I’ve got—

Riley: You’ve got to troubleshoot that before it gets to the President.

Gilmour: Was there anybody else besides Gene Sperling it was important to consult with in advance of meetings?
**Panetta:** What I wanted to do was to get the economic team all to understand what was involved here, so Bob Rubin was important to that. Alice Rivlin and Laura Tyson certainly were important to that. And while Bentsen was involved, he had a couple of staff people who were very important to his thinking.

**Polsby:** Senatorial approach.

**Panetta:** Exactly.

**Riley:** Who were those people? I raise the issue because obviously we would like to have interviewed him but he’s not able—

**Panetta:** I know, it was a woman who worked for him. If you look at his staff, at the finance Committee, there was a woman and a guy who were moved over to Treasury. Both of them from the Finance Committee.

**Polsby:** So you had a kind of “deficit hawks” team.

**Panetta:** That’s right. And it helped me in the sense that we’re trying to work through options to present to the President. I wanted to have their feel for whether I’m missing anything, to find a way out.

I talked about the power in the House of Representatives, of knowing an issue inside out, that gives you power. To a large extent, the power of OMB and knowing the numbers and the different programs and the different pieces involved, dealing with a lot of people who were coming with not a great deal of knowledge about all the different pieces that go into a budget, clearly gave us some leverage in that room in terms of what we were presenting.

**Riley:** I think we’re about ready for a lunch break. We’ll mark the spot and try to come back and finish off this subject and move on ahead. We have a lot of ground to cover.

**[LUNCH]**

**Riley:** We talked a fair amount about getting that package put together. Why don’t we turn to the salesmanship on it? You spent a lot of time on Capitol Hill and then you’re over in the White House and you’re carrying the piece of work back over to try to sell on Capitol Hill. Tell us about your responsibilities there, the kind of reception you’re finding, how much congressional input you’re getting as you’re trying to put out the package. It doesn’t sound like much in these early meetings, but I don’t know whether that gets changed.

**Panetta:** The first crucial moment comes when, in part by instinct, in part by my own experience on Capitol Hill particularly with the ’90 budget agreement, I felt that there was at least an opportunity here to reach out to some Republicans who had been committed to trying to deal
with the deficit issue and understood, particularly as a result of the ’90 experience, that any package had to be fair and it had to be balanced between savings and revenues. But if I could pull in some of the moderate Republicans on the Senate side in particular, Pete Domenici, people like that, and maybe get some on the Republican side, even on the House side, then I had a chance of being able to carve out a package that would be at the center, where Clinton basically was.

So my first effort was to talk with Pete Domenici. I sat down with him and said, “I think the President really wants to do the right things here.” And I gave him a sense of some of the pieces we were working with. He was honest with me. He basically said, “Look, we’re Republicans because we were burned by what happened in the ’80s, bad Social Security where a few of us walked the line and then got chewed up by the Democrats on Social Security. There is the sense that obviously Clinton is going to have to raise taxes and he’ll become vulnerable by virtue of that. And there is a basic decision that this is one he’s going to have to pretty much carry on his own.” I expressed regrets at the time, I said, “I guess I understand that, but just so you understand, we’re going to have to deal with Democrats and Democrats are going to be where the action is.” He said, “I understand.”

Gilmour: Did you have conversations with Senators such as John Chafee or others who would have been plausible targets of opportunity?

Panetta: I talked with Pete and I think I may have even had a conversation with Bob Dole, who I think was leader at the time, yes, I think he was minority leader in the Senate. It was pretty clear that the signals I was getting, both from them and from some of my Republican friends on the House side, that they’d pretty much made the decision.

The way it’s always said on Capitol Hill is, “Look, the President has the responsibility to propose the budget. If it looks like there are some things we can support, fine, but basically it’s in his court.” They were throwing back some of the things we had said when Ronald Reagan and George Bush were President. Democrats took the position of waiting for the President’s budget. I understood that. It wasn’t like I was deeply offended, I understood what they were saying.

I’d gone through this in the Budget Committee where I said, “Bill, sometimes on a budget resolution where I said, “Bill, if we can work with some Republicans I think we can probably put a pretty good package together.” And Bill would check it with his leadership and he’d come back and say, “Look, decision by leadership is that you guys are on your own.” So when I got that, I understood where I had to go. I had to negotiate on the Democratic side and it meant I had to deal with Barney Frank and [Charles] Stenholm. If I could bring them into supporting the budget, I pretty much had it made.

Polsby: That is meant literally, not symbolically.

Panetta: Literally.

Polsby: Barney Frank and Charlie Stenholm.
Panetta: That’s right. If I could have Barney Frank and Barbara Boxer and Charlie Stenholm concur on what a budget looked like, I had a pretty good shot of getting a majority of the Democratic votes.

Riley: Were you designated officially or unofficially by the White House to be the point person on Capitol Hill with respect to the budget or were you working with congressional liaison Howard Paster—

Panetta: I would always work with Howard just so he understood what I was trying to do, and Howard would come with me to some of these meetings. But I pretty much had the responsibility to deal with the political side. Of course, Lloyd Bentsen was in touch with Democratic Senators, and from the get-go the problem on the Democratic side was the oil stuff, the energy taxes. That ran smack dab into conservative Republican territory and clearly Lloyd Bentsen, even when we were discussing these, understood that this was a sensitive issue in terms of the South and particularly the Oil Belt.

But we began the process and to Tom Foley and Dick Gephardt’s credit, as well as George Mitchell’s credit, the leadership on the Hill worked very closely with us to try to work this through. They identified some of the problem areas, and they set up meetings in their offices. I had the leadership there and met with members in their offices to go over the concerns. They would do the initial whip counts to see where our strengths were. Even from the beginning, we had a pretty good number of Democrats who were going to support the President. But the challenge is always the last 20-25 votes. You always know you can get pretty close to that, but it is getting over the hump of the last 20-25 votes that is the toughest. That’s where the deal-making comes in to the process.

On the House side I can remember a lot of concerns on the oil tax. In fairness, what they were asking was whether or not the administration was going to go to the wall on the Senate side to protect it, because these guys were walking a tough line. We assured them that we would fight the battle on the Senate side as well. And a lot of them walked the line on that basis.

As always, true from my own experience and I think it’s true almost to this day, you’ll have a group of members who substantively want to know why this is the right thing to do. They’ll have questions about the tax package, the cuts, and you walk through that with them. I think they’re being intellectually honest about their substantive concerns. That’s one group of members.

Then there’s another group of members who basically wheel and deal, who will say, “What can you give me? You want my vote? I need a road, I need a highway, I need a bridge, I need whatever it is.”

Gilmour: I like that story about the member who talked to God.

Panetta: And there was a member from Detroit whom I could not understand. She was a black representative from Detroit who clearly has got to be a good vote for the President.

Gilmour: But she’s pretending that she’s not.
Panetta: That’s right. And she’s being resistant. Ultimately it’s like, “Why? What’s going on?” I remember, I had the leadership talk to her, I had Bill Richardson who was working on the whips’ group and working it out. I talked to her, I had others talk to her, and finally she called and said she wanted to meet with me. I figured, okay, here it comes. She basically said Jesus had talked to her the night before. I said, “That’s very special.”

Polsby: Better Jesus than Marley’s ghost.

Panetta: What did Jesus have to say? And she said, “Jesus said that I really ought to support the President on this, it is very important to the President and it’s the right thing to do. I ought to do this if I can get this casino approved in Detroit.”

Riley: A casino?

Panetta: Yes, it was one of these Indian casinos and I think it had to go through Interior in some way. So I said, “Jesus said that, huh?”

Riley: In my part of the country when Jesus talks about casinos, it’s not to get them approved.

Panetta: It’s a side of Jesus that none of us knew about.

Polsby: It’s not well known, but Jesus had three Mohegan apostles.

Gilmour: In cases like this were you ever tempted to gamble and call someone’s bluff? Because you figure there are certain people, by virtue of various characteristics, people who should be sure votes, and she’s one of them. So you must be tempted in some cases to call the bluff so as to discourage other sure votes from also demanding their payoff.

Panetta: Normally that would be the case if you thought you could win by five to ten votes. In this instance, where you’re talking about one to two votes, you don’t like to play that string out too much because somebody could really screw you in terms of—

Polsby: Is this Martha Griffith?

Panetta: No, no. This was a black representative, I can’t even remember her name now, she was from there. And ultimately I set up a meeting with Bruce Babbitt to sit down and talk with her. He was nervous about doing it to begin with. I don’t think he actually said, “I’ll approve it,” but he gave her enough assurance that he would consider it that she backed off.

But there were others, and it’s on both sides, the House and the Senate. There are always some members who say, “I’ve got to get funding for this project, I’ve got to get this, I’ve got to get that.” You’re trying to work those. Howard and I used to laugh at each other. He would come in and say, “Look, I need to have it,” and at that time as OMB Director, I’m trying to say, “Wait a minute, we’re trying to pass a budget here to deal with it, and now you’re asking for all these
pieces.” Because every time we did a piece, it meant I had to try to find some money elsewhere in order to balance this thing. But we went through that with a lot of members.

There is a group of members in the center. You’re never quite sure whether you have to give them something in order to get their vote, or whether they have substantive problems, or whether it’s just basic political problems back in their district that they’re so nervous about survival, that that’s really what the issue is. It has nothing to do with what they bring home, it has nothing to do with that. It’s just a fear that if they cast their vote this way, they’re going to lose.

Polsby: Can I back up a little bit? You use a phrase, “walking the line.” Let me say how I interpret it, and you correct me so it is in the record the way you want it. Walking, in the context in which you used it, these are people who are taking a risk by compromising their actual view in order to help the President.

Panetta: That’s right.

Polsby: And what they’re worried about is that the President will turn around in the Senate and give it away.

Panetta: That’s right. What they will do is be exposed because they’re casting a tough vote and suddenly the rug is pulled out from under them.

Polsby: The administration isn’t sustaining that. That was known later on as triangulation, if I’m not mistaken.

Panetta: I guess it was one of the early versions of triangulation. I think a lot of it was based particularly on the House side of having Foley, Gephardt, and a lot of the key people, plus my own knowledge of the House. I think that counted for a lot in getting that through. I had to go to caucuses, I had to appear at Democratic caucuses, but I was familiar with that because as Chairman of the Budget Committee I’d done that a dozen times. To lay out with charts why this was the right thing to do.

Riley: You’ve got a stimulus package that’s floating around out there at the same time, being sustained, as I understand it, because it’s the President’s promise and there are a lot of Democrats who want some additional spending.

Panetta: That’s right.

Riley: I want to get your take on the rationale for holding on to that, how important that was. Did it simplify your job or make your job more complicated by having—

Panetta: Well, understand that I think the reason the President wanted to move that stimulus package is because I think he really thought it was insurance against the economic reaction that the deficit-reduction economic plan would produce. And if he could jumpstart and turn around the economy with the stimulus package as we were going into this larger economic plan, it made
him feel like there was a better chance of having the economy turn around sooner rather than later.

Reich and others were pushing it as well, that it’s important to move it. I think there was a group of us who were also saying, “Look, we thought the economy was beginning to turn around.” It’s the same old arguments, we just thought that by the time the stimulus took effect it would not have had—We had to make the decision. Politically, do you need to do it, but substantively it’s not going to make that much difference in turning around the economy. It will take effect too late and it’s going to cost a lot of money.

So, having said all that, it goes back to the President’s thinking. The President having analyzed this get-tough substance of what you have to do in an economic plan, the politics of it, the stimulus gave him that chemistry where he thought, Aha, if I can do this, then perhaps I can have the best of both worlds, which is to get the economy turned around and yet do what’s right in terms of the deficit.

Polsby: But he ended up with a too-small stimulus package, wasn’t that the—

Panetta: What happened with the stimulus package was that gradually, as we were pushing through the economic plan, the stimulus lost steam, and on the Senate side, the Bob Byrds of the world were big on stimulus, because it meant you could put more highways in West Virginia. But in the end, there just was not a broad enough support to keep pushing. I think it lost some steam by virtue of not only what was happening in the economy, it took a lot of hits from the Republicans who were very effective in the arguments they were using against it. Ultimately it fell by its own weight.

Having said that, it was helpful in terms of Democrats who had questions about this economic plan that meant cuts in spending, cuts in Medicare, cuts in Medicaid, cuts in farm programs and veterans’ programs and other things. It gave them at least the same sense that Clinton had, which is that we have a stimulus to point to, whereas the good old Democratic, “Get that pork out there and the projects out there,” gave them some cover to be able to vote for the economic plan.

Riley: I want to ask you a more general question and that is about the education of the President as a congressional lobbyist. Tell us your impressions about Clinton’s own learning curve as he’s trying to transpose his experience from Arkansas onto Washington and if you saw him falter in places. Did he naturally take to this? How quickly did he learn to do that part of the job and was it something he enjoyed?

Panetta: Clinton does enjoy sitting down with people, whether they agree or disagree with him. He really does enjoy dealing with people, he is truly a people person. In campaigns, he relished the opportunity to engage with people and shake their hands and take pictures with them. He was invigorated by that process, energized by that process. Having said that, I think it’s the old problem of a Governor who deals with the state legislature on a much smaller and much more personal basis, and knows that the members, whether out of fear or out of respect, if a Governor talks to them directly, he can pretty much get their vote through a lot of persuasion or deal-making or whatever it takes.
When you go to Washington, it’s a different ballgame. Carter ran into the same problem. It’s the big leagues. For Clinton there was always a sense that he could bring anybody into the Oval Office and convince them of the right thing to do, through his personality or his arguments or what have you. I think what concerned him is that it was a much tougher sell in Washington, because you’re dealing with the House to some extent, a lot more egos on the Senate side who have been through this. A lot of those members have told Presidents to go to hell, and there are some who have made it a career.

Suddenly you’re in a different game where you’re dealing with people who, no matter what you say to them, may not support you. I think he found that frustrating because he always felt if he had enough time he could basically convince anybody to do anything.

Riley: So part of your job was to convince him he didn’t have enough time?

Panetta: Part of the work was the fact that Howard and I had to convince him that there were some people you just don’t waste your time on and you have to focus on those that are doable, the bunch you could convince. That’s where you spend your time. And sometimes it has nothing to do with the substance of what you’re trying to do but an awful lot to do with other things, which I think he understood.

There were a couple of problems with the President. Normally, you use the President as the last step. I will work the member, Howard will work the member, Cabinet Secretaries may work that member, if they happened to be in an area that involves that jurisdiction or somebody who is a personal friend. Lloyd Bentsen, for example, had a lot of personal friends in the Senate so I’d use that. But when it came down to the President of the United States making the call or inviting that member to the Oval Office, that’s the last step out of the box.

At that point a President, if it’s like Lyndon Johnson, you basically say, “I want you to do this, I need you to do this, I absolutely need you to get this vote across.” You have to be very clear about what this is about. Generally what would happen with Clinton is he would listen to somebody who might have a very different view and he would give that individual the impression that “Well, there’s something to what you say.” Yet he would say, “But this is what we’re trying to do.” And suddenly that member could walk out of the Oval Office thinking instead of the President having convinced them that they had been successful in convincing the President as to their position.

So there was always a lot of repair work to be done. The President got better at this as time went on, but these are the early days. I think the President eventually learned that there were some members you just had to be very clear as to what you were saying. The President would leave and suddenly Howard and I would look at each other and say, “That member thinks the President just told him he’s going to do something on energy taxes, or he’s going to do something on this.” So we would have to go back and sit down with that member again and say, “This is what’s involved,” try to make that clear. So number one, the President had to learn how to deal with a Congress in which you have a much tougher sell with members—
Riley: The language is different.

Panetta: The language is different, the approach is different. You can put your arm around them all you want, you can take them duck hunting all you want, but every one of these people you have to know how to negotiate with based on their history and their experience. And they’re very different, and you have to have that background. But I think the President felt that by the force of his own personality and his relationship ultimately he could convince that—he did that with Newt Gingrich. I can’t tell you how many times he thought he could basically convince Newt Gingrich to come around, which was interesting, because I think Newt Gingrich felt the same way about Bill Clinton.

Being somebody who likes to deal with people, combined with giving them the impression that he was respectful of their views, or not only respectful of their views but actually thought, Hey, you’ve got some substance to your arguments, sometimes made it more difficult. When we got used to it, we’d basically give the President a script and say, “Look, this is what you’ve got to say.” Howard and I would say, “With this member, you’ve got to say this.” And he got better at that. He got much better at understanding that you had to walk a certain line to get it done. Normally, you’re using the final gun in your arsenal when you have the President call. And it better be loaded.

Polsby: Talk a little bit about the management side, reinventing government. Discuss, compare, and contrast.

Panetta: If you stand back and look at the Clinton administration, it was oftentimes a balancing act between supporting issues that were traditional Democratic issues and supporting issues that were not traditional Democratic issues. That gave them their centrist position. So taking a hard stand on the budget, on deficits, on trade, on NAFTA [North American Free Trade Agreement], on crime, brought them to the center. Those are clearly issues that appealed to more conservative voters. Being in the center also took issues away from the Republicans and gave the President much more of a centrist position. Whereas issues like healthcare, education, those kinds of things basically were more traditional Democratic positions, which the administration supported and that to some extent protected his Democratic base at the same time he was making these other moves.

The whole issue of reinventing government was one of these political issues that said by reducing the size of government, by making it more efficient, we basically play to those members of the public who think that government is too big and too inefficient. Don’t forget, we’re coming out of the Reagan era where Reagan basically said, “You’ve got to get rid of government.” And Bush softened that. He wasn’t as intent on the commitment to get rid of government. But that was one of Ronald Reagan’s standard pitches, getting rid of government. Clinton always approached it on the basis that you don’t want to get rid of government, government has some important roles to play, but at the same time you don’t want to expand government so that it grows into this large bureaucracy and becomes unwieldy and inefficient.

So it was this chemistry of where is the positioning here that makes sense. And the positioning is, yes, you protect the role of government, it’s important to do so, but you make it more
efficient, you make it leaner, you make it effective, you make it more public friendly in terms of people. So that was the thrust, and then he gave it to Al Gore and Al Gore, as was his instinct, converted it into his issue, brought in some of the key people who had been working on reinventing government, and decided to make it a real cause célèbre.

Polsby: My impression was that it was anticipated that it would be a sideshow. Stuff that you spend most of your time with us on is what you spend most of your time on, namely doing the deficit—

Panetta: And the budget. Appropriations.

Polsby: The grand business about deficit, taxes, appropriations are the big calculus. Management side of OMB traditionally has taken the back seat, and it was anticipated that it would occupy a back seat here. It fell into Gore’s lap and Gore made something unexpected out of it.

Panetta: And I think the President recognized it again as a very appealing issue in terms of the public. One of the lines he used, and I think it developed more because of the budget than because of the effort to reinvent government, was that we ultimately brought government down to the size of the Kennedy administration. But a lot of that was because of defense cuts and other cuts that were implemented in the economy.

Nevertheless, some members of the Cabinet did take it seriously. I think Henry Cisneros probably did the best job of taking the thrust of reinventing government and cutting out some of the programs that didn’t make sense, tightening it up, doing a better job in administration. And did a pretty good job of implementing some of those principles, but that was Henry pushing it.

The biggest problem I had, frankly, with reinventing government is that they were projecting a very large savings as a result of reinventing government. I can’t remember the exact number, but we looked at it at OMB and I said, “No, this will never happen.” There wasn’t anybody at OMB who thought that it was a realistic savings.

Polsby: Isn’t OMB where the original work was being done?

Panetta: Yes, it was.

Polsby: Okay, you’re speaking of the M of the OMB as being kind of an alien—

Panetta: No, actually, the people who were working out of OMB were participating in the task forces, but they kept coming back and saying, “They’re talking about savings numbers that are just outlandish in terms of what will be produced.” Gore felt that this was the main coup, that if you could say “reinventing government” and you have to deal with the unions and with the different departments and agencies, one way to make it appealing was to say we’re going to produce this amount of savings.

Polsby: It was government-wide task forces that were run by OMB.
Panetta: That’s right.

Polsby: Okay, that was the alien influence.

Panetta: What Gore did was he brought in the guy who authored the book on reinventing government and he developed a little task force within the—

Polsby: Snake oil guy—

Panetta: That’s right.

Polsby: David Osborne. But it was snake oil.

Panetta: It was like magic. “Look, in Burbank, California, they did this,” and I said, “Burbank, California?” Whatever it was, he had this little pilot stuff he was looking at, and he developed this great message and it sold books for him, I’m sure.

He had this task force and they were all working in their own world. Reminded me a little bit of what happened with the health task force. So they were working in their own world and developing this great PR thing. And of course, OMB, just by the nature of who we are, had to say, “Come back to the real world, this is not going to happen, I am not going to bless the amount of savings.”

So Gore and I had a meeting in his office and I said, “Al, I cannot confirm this level of savings.” Finally we brought him down, I think we cut the number in half and finally agreed to the number. But I think from the very beginning I was a little suspicious of it only because it clearly was a huge PR thing, if you’re looking at PR-message politics. The day they announced it, they brought out this truck that had all these boxes on it as background. The boxes were to represent bureaucracy, paperwork—

Polsby: Gore took a very expensive ashtray onto the late-night talk shows—

Panetta: Right, and what the Defense Department pays for it. It became a great PR event, and I think they were very happy with the PR that came out of it. It’s always fun to design a message, but it’s quite another thing to deliver on it and make it real. I think they did make some progress on it, it was probably the right general theme to make, but I don’t ever think it was the deliverance that a lot of people thought it was going to be.

Polsby: Now, in the timeline, it says, “After Gore releases the results of his reinventing-government initiative, Panetta stresses that most of the money saved by implementing Gore’s management reforms would be needed to meet existing deficit reduction goals rather than to reduce the deficit beyond the goal.” Okay, that’s October. December, “OMB Deputy Director for Management Phil Lader is moved to position of White House Deputy Chief of Staff.” Is there any connection between those two items?
Panetta: No, not really. Phil was pretty good about understanding—I’m glad you mentioned that. Obviously when you’re talking about $250 billion in savings, part of it has to be developed by these departments and agencies in terms of efficiencies. So that was the other problem. We thought, We’re double counting to some extent as to what we think we can achieve and what reinventing government is going to produce, because it isn’t going to be above and beyond the efficiencies that are going to have to be achieved just to meet the numbers we’re talking about.

Riley: John, did you have some more questions about OMB organization that you wanted to pose?

Gilmour: Were there any other kinds of management initiatives that you undertook as OMB Director? Reinventing government wasn’t your baby, but I’m wondering if in that area you had undertaken—

Panetta: With Phil Lader and then the person who replaced him, [John A.] Koskinen, we had developed management initiatives at OMB and I was really trying to get—Nelson’s absolutely right, the management side of OMB always took a back seat to the numbers side of OMB. I really felt we had to do more in terms of getting these departments to improve the way they managed each of these departments, the efficiencies that were involved, etc. So we had reorganized the Office of Management to mandate that when we sat down and did the budgets with these departments they also have to present to us what they were doing on the management side. Because I knew the reason management wasn’t working is that it was isolated from the numbers. And most departments and agencies don’t give a damn about the management side, they care about the numbers. But if you could bring those two together so that they had to somehow commit to what they were doing on the management side, in conjunction with the budget, in conjunction with the numbers, that was an effective way to bring them together.

Having said all that, to be honest, OMB’s biggest tool is still numbers. I was always amazed. When I went down to OMB, I knew what Dick Darman had done, I knew what other past OMB Directors had done. And I thought a lot of it was just dealing with what I had done on Capitol Hill, which was putting a budget together. But the reality is that OMB does a hell of a lot more. It isn’t just putting a budget together for the President, though it is that. But it’s also that OMB approves funding for every initiative that goes through. If the President wants to do anything, whether it’s conduct a war or deal with a disaster or whatever that President may want to do, OMB ultimately has to sign off on it. So there is that whole aspect.

There’s the whole aspect of reviewing every regulation that goes through the federal government and making sure that that regulation is not only cost effective, but you can basically revise any regulation that comes through. That’s very powerful to have that tool.

Gilmour: I also want to ask you about another responsibility of OMB and that’s writing statements of administration policy.

Panetta: Right. Every bill that is up on the Hill, you can pick and choose a little bit, depending on where you want to lay out the administration, but every bill that is going to a vote, they’re looking for a statement from the administration as to what the hell our view is. And that can
impact a great deal of what happens with that legislation. So I had to review every major statement that went up to the Hill. We were dealing with every negotiation in the Appropriations Committee. It wasn’t like it is now where all the leaders spend a lot of time in these negotiations. We basically were there and we worked with the chairmen and the ranking members on both sides.

**Gilmour:** Statements of administration policy have sort of standardized language for conveying veto threats—

**Panetta:** Yes.

**Gilmour:** Did you adopt the same language that the Bush administration had used, or did you come up with a new way of conveying the administration’s likes and dislikes on bills?

**Panetta:** These are all word games that you have to become very familiar with. We were always very careful about using the V word. Because if you say the V word, that the President’s going to veto it then you better damn well back it up, otherwise it loses its impact as a threat. So I was very cautious. I wanted to make damn sure before I used the V word that I stared the President in the eye and said, “Is this something you will veto? I would recommend you veto it, but I want to know where you are.” And if he said, “No, no, I would do it,” then I felt much more comfortable doing the veto. So I was more careful about issuing veto threats than probably in past administrations.

The second thing was that I wanted to make very clear to the Hill what the problems were with a piece of legislation that needed to be corrected. Don’t forget, at least for the first two years, I was working with Democrats and I wanted them to understand our concerns because I thought, in most instances, I could probably work it out. In the second two years it became much more trench warfare.

**Gilmour:** One remarkable thing about Clinton’s first two years is that he vetoed no legislation.

**Panetta:** Right.

**Gilmour:** Now, even Presidents working with a Congress of their own party typically veto some minor bills that are irritating for one reason or another. Do you have any idea why Clinton vetoed no bills at all?

**Panetta:** I think in large measure it was because Tom Foley on the House side and Mitchell on the Senate side never wanted to be put in the position of having the President veto something that a Democratic Congress passed. If we had a real problem with something and it looked like the President could not accept it, I have to give credit to the leadership for taking the time usually to drag a chairman in and make sure that the chairman tried to make whatever changes were necessary to get the President to come around.

We compromised and they compromised and ultimately we were able to work it out, but I think it was because of that. Even on something like NAFTA, where we lost some of the Democrats—
obviously, we accepted the fact that we were going to lose some Democrats, it wasn’t the end of the world. Gephardt, I knew Dick, had worked with Dick, and accepted the fact that he was going to go off the reservation. But we also knew we had the votes on the Republican side to put that package together. So we really didn’t have to confront the Congress that much in those first two years.

Healthcare was a disaster, but we can talk about a lot of reasons why that happened.

Riley: Can we?

Panetta: Oh, yes.

Riley: I thought we might go ahead and ask you something about healthcare because you were a member of the healthcare task force. Tell us what that involved and then track us through what happened with respect to healthcare.

Panetta: We were doing all that, we were part of the task force, but I think from the beginning, what’s his name from Rhode Island.

Riley: Magaziner.

Panetta: Ira Magaziner was a little bit like Alice Rivlin in terms of political instincts. He had worked out the substance of the healthcare thing—

Polsby: Not more like Alice in Wonderland?

Panetta: That too. He worked out the approach on healthcare that if you put it on a blackboard I guess you could make sense out of it in terms of the relationship of the different pieces. And while I think he understood that all of this would ultimately have to be tested through the political process—there were those of us who constantly reminded him of that fact—they had an idea about what healthcare reform ought to look like and they didn’t move an awful lot from that basic idea, even though there were a lot of concerns about how it would come together, what the costs would be, could you explain this program?

I can remember spending a lot of time in the task force saying, “You’ve got to have a simple way to explain things, and it’s not just to the American people, but to a member of Congress. If you take more than two sentences to explain what’s in a piece of legislation, chances are you’re going to lose them. So you have to be able to explain what you’re doing in the simplest of terms, and then you’ve got at least half a shot.” I kept saying, “This thing is like a Rubik’s cube in the sense that no matter how you talk it through you become so immersed in the detail of it that you can’t say, ‘What does this mean for the average citizen on the street in terms of what the impact is going to be?’”

Part of the problem was that I think the people who were doing some polling on the political side had the view that this was a winner, that the public wanted healthcare reform and they were going to stick with us. Clinton was clearly on the right side, the public was concerned about
healthcare costs, this was going to be a winning issue. In the end I think there was a feeling that because the public was with the President, because the President was such a great salesman, ultimately we’d get this through the Congress even though it had the problems I talked about. Yes, there might be a few compromises on the edges, but ultimately we could get it done. That naiveté about what it takes to get through the Congress, to the fact that they seriously thought that this could be done all at one time.

Part of the problem was that having done the economic plan, having done the big reconciliation bill, having done—There was a debate, as you’ll recall, about whether you do NAFTA or healthcare reform, but having put the pieces on NAFTA, having been able to slam dunk some of these big issues, and we got AmeriCorps and some other things done that were—This would just be another slam dunk. Based on my own experience on Capitol Hill, I said that you might have to think about doing this incrementally, take your best pieces and try to move it through and do it incrementally. Because this is an awful big piece to be able to do.

I think Magaziner felt in the end, because this plan had been devised and would only work the way he had designed it, you couldn’t compromise on these pieces. Otherwise, the thing would fall apart. And Hillary, who was very smart and was one of the few people who knew what Magaziner was talking about, thought the approach made the best sense in terms of healthcare policy. That obviously influenced the President. I think the decision was to go ahead and move this piece. The President went up, gave a speech on it. At the time, just like any speech by the President, you feel like it creates some impetus behind an issue. But what happened, as you know, is that ultimately the healthcare industry came together, put together $350 million on an ad package that tore the healthcare plan apart because it took its complexity and converted it into a 30-second sound bite that was pretty effective as to what the problems with it were. And there was no real response to that.

Members became increasingly anxious. I’m trying to remember, I think we passed the House but it died in the Senate, I don’t even know that we passed the House.

Gilmour: I think that toward the end of the summer they gave up. I think they decided—

Panetta: I’m trying to remember. I guess, the House had moved it to the Rules Committee—

Riley: The Senate clearly wasn’t going to do anything—

Panetta: That’s right. The House, I think because of the experience on the economic plan, the feeling was that if the Senate could move something, fine, we’ll hold it, but if the Senate is not going to move it, we’re not going to move it. We’re not going to put our guys on the line again. George Mitchell tried to move several compromises. I think the President finally made the decision that it was not worth making the compromises that had to be done. Mitchell said, “We can’t move this,” and that’s when it died.

Riley: What kind of complexity in the political equation was introduced by having Mrs. Clinton direct this? Did it make it, within the White House, an untouchable package because of her deep
investment in this? In other words, you can’t do something that’s going to nick the First Lady and therefore I’ve got to keep my hands off the package. Is that a realistic assessment?

Polsby: Yes.

Panetta: I think there was some sense of that. Understand that out of respect for the First Lady, out of respect for who she is and what she’s trying to do here, and the fact that this is the first time a First Lady is deeply engaged in a major policy area.

Polsby: Isn’t she the first First Lady in American history to have had advanced education beyond the B.A. degree?

Panetta: I don’t know, I think that may be right.

Polsby: First professionally educated First Lady?

Panetta: Look, there’s no question that she was smart, she was dedicated, she understood the issue and people were a little intimidated by her. There were several meetings where she basically walked in and let everybody have it, very different from what the President would do. If she thought something was going wrong, she’d say it. She was much more confrontational in that sense.

I’ll never forget Pat Griffin came on replacing Howard during the middle of, I think it was the healthcare stuff, Howard moved on. Pat Griffin came in and went into a meeting, I think on healthcare, I’m trying to remember what the issue was. I’m not even sure, it wasn’t even on healthcare. It was on the importance of letting out all of the information on Whitewater. I think that was it.

Polsby: She didn’t want to do it?

Panetta: No. And everybody from Stephanopoulos and [Dave] Gergen and everybody said, “You’ve got to let this out because if this just dribbles out and you go through it, you’re going to get killed in the process.” She just let everybody have it. I’ll never forget, Pat Griffin came out of that meeting and his eyes were that wide and he said, “You will not believe what I’ve just been through.” I said, “What are you talking about?” I had been at another staff meeting. He said, “I can’t believe it, I can’t believe what I’ve just been through.” I said, “What’s the matter?” He said, “The First Lady just tore everybody a new asshole.” I said, “Really?” It was that first experience.

When I became Chief of Staff, recognizing that she was an important factor, I went out of my way to make sure I briefed her on what was going on as Chief of Staff. But if she ultimately believed that you had the capacity to do a job, she backed off. She served as what I would call a Chief of Staff-in-waiting.

Polsby: Oh, my.
Panetta: In the sense that if she felt the Chief of Staff or whoever was not doing the job, she was prepared to protect the President. And she was very good at that. The first thing I had to do was to ensure that she trusted me. She never really came in or got involved in the things I was doing. By that time, of course, the healthcare thing had happened and she had backed off a little bit on the policy.

Polsby: Bob Reich was at Berkeley on Wednesday, and he said that the President was a screamer.

Panetta: Oh, the President could be a screamer too. But he was the kind who would scream and then within ten seconds he was back, “How ya doing?” He’d put his arm around you, he was that kind of guy, so yes, he could do that. But you had the sense—

Polsby: She had more sustained velocity.

Panetta: She had much more sustained velocity, for a longer period of time.

Riley: It goes back to my original question. You defined two different roles here. One was she viewed herself as the President’s chief protector—

Panetta: That’s right.

Riley: But secondly, she has become the chief creator and advocate of a particular program.

Polsby: Because Nancy Reagan was the first, for Ronald Reagan. But the second was the unique thing.

Panetta: I think Nancy was clearly the chief protector for Ronald Reagan. And Hillary very much played that role, but added to that, you’re right, was the policy role, to be involved in a policy issue. Make no mistake about it, I think that clearly was always a factor in terms of the discussions. As OMB Director and as the person who has to be a son-of-a-bitch to everybody, I remember telling her, even on the costs of healthcare, that what they were saying was the costs were not credible. The same problem as I said on reinventing government.

If you were willing to say that, she was willing to listen. If you said, “Look, A, B, C, and D, and I’m willing to sit down, talk to Ira, I’ll talk to whoever you want, but the numbers don’t come together here.” Eventually we had to set up a series of task-force meetings to at least try to make the numbers more credible, because all of us would have to go up on Capitol Hill and defend this thing, and she was willing to do that. But I think there were a lot of people who were intimidated by virtue of that.

It happens a lot with the President of the United States. People, by virtue of being in the presence of the President of the United States, find it very tough to stare the President of the United States in the face and say, “Mr. President, you’re screwing up. What you’re doing, what you’re saying, you’re making a terrible mistake.” It’s very tough to do. When it comes to the First Lady, it’s probably even tougher.
Gilmour: Did the President by his manner and response make it easier or harder to tell him he was screwing up? That is, did he blow up if you brought him bad news?

Panetta: Well, I guess I got used to that. But I always felt my responsibility was to be very straightforward with him as to what was happening. If he said something the day before that I thought—I usually told him. I said, “I think you screwed up with what you said.”

Polsby: Did you have a charmed life in there? I mean, it sounds like, best we can tell from reasonably careful examination of the record, you spent virtually no time in the dog house. [laughter] Now is that unusual?

Panetta: Well, I operated most of my political career—it’s what allows me to sleep at night—by being pretty frank and honest about what I thought needed to be said.

Polsby: That’s not at issue. What’s at issue is that you seem to get away with it.

Panetta: I think in the end the President is like everybody else. If the President feels that the end result is doing what he thinks needs to get done, that’s what counts and that’s what’s important. When I was OMB Director, I think he knew that both in the economic plan and in dealing with Capitol Hill and with appropriations and getting his priorities all funded, we played a large role and he trusted what we did and what we said. Having developed that relationship clearly gave me some room to be able to say what I thought, among other things.

Having said that, I think the President, while on substance respected what I was doing, on the politics of it he still wanted to turn to people like Dick Morris and others because those were the ones he thought had a better instinct about how you go after the—

Polsby: Was Dick Morris a constructive force in the White House during your period of time?

Panetta: Well, Dick Morris, you probably are running into some of this, Dick Morris appeared in a strange way.

Riley: He comes later, after ’94.

Panetta: He comes after ’94. You go through the ’94 election and of course by that time Clinton had lost healthcare and then he loses the Congress. He’s clearly frustrated with, “What’s going wrong here, what am I missing in terms of being able to get my message across to the American people?” For him I think there was a refuge going back to the Dick Morrices of the world. He’d done that in Arkansas when he lost, and I guess came back and was doing it again.

What he was trying to do was to figure out, What is it that I have to do in terms of my message, my political positioning? Because now he’s worried about the reelection and his frustration is that he really believes he is accomplishing a great deal, and he is. You know, we do the economic plan, we do NAFTA, we do a lot of domestic stuff on education, etc. There are a lot of good things that are being put in place, and his great frustration is, “Look, I’ve done all these
things, why isn’t this message getting across to the American public, the American people? It can’t have anything to do with the substance of what I’m doing, it has to do with fashioning that message, that 30-second sound bite. There’s got to be something there.” And that’s where the Morrices of the world come in, because they can be in supposed touch with the pulse of America. These are the people who have to tell me how I fashion that message.

**Riley:** But this was a recurring feature of this White House, the sense that something is slightly amiss that means we’re not fully functional or we’re not getting our message out. The first instance of that probably is David Gergen is brought in as a sort of—

**Panetta:** Right.

**Riley:** —Washington guru.

**Polsby:** When Stan Greenberg is fired. Their pulse man.

**Riley:** The Gergen thing and then your appointment, or when you move out of OMB to Chief of Staff, is a continuation of that, and then you’ve got these intermediate shifts with Deputy Chiefs of Staff, Phil Lader and then—

**Panetta:** Right.

**Polsby:** Harold Ickes and Roy Neal and all of these folks being moved back and forth.

**Riley:** At one point you indicated that, I don’t want to put words in your mouth but if you used a spokes of a wheel model of—

**Panetta:** Oh, yes.

**Riley:** In the White House it is the equivalent of grammar-school children playing soccer with everybody rushing after the ball. Is that an accurate portrayal of the organization of the White House during the first year or so, and can you elaborate on that a little bit for us?

**Panetta:** Yes. I think they spent an awful lot of time assembling a pretty good Cabinet that reflected the President’s goals and he wanted to get every color of the spectrum reflected in the Cabinet. I have to say overall there were some very qualified people who were part of that Cabinet, and they were a good team. I think he took a lot of time. I think they took less time in terms of dealing with the White House staff and who should constitute that. So they brought in a lot of campaign people to operate the White House.

The President tried to operate a lot as he had in Arkansas. He wanted to do a lot of things, a lot of policy issues, did not mind having ten or 20 people in the Oval Office to engage and talk about issues, having people walk in and out. But at the same time, I think deep down he knew that as a result, there was no sense of discipline in terms of the White House and how it operates.
**Polsby:** Let me press you a little bit on the campaign people coming into the White House. Do you think as a practical matter it’s avoidable? Now that campaigns are two years long, to have people who have been working with you intimately, trying to win the Presidency, over a protracted period of time, two to four years, and then basically stop at the White House door?

**Panetta:** Whether the campaign is one year or two years, even in a congressional office, you run a campaign, you’ve got a lot of people who are very good at campaigning and blowing up balloons and passing out things in different neighborhoods. And when you win, it’s a great high, you’ve been doing all this campaigning and you’re excited by the candidate, and all of a sudden you win and everybody expects to be able to get the rewards.

**Polsby:** This is the winning team.

**Panetta:** Yes, this is part of the team, I helped win this campaign for the candidate. The candidate knows there are a lot of people out there who have struggled and are loyal and walked through parades, all the other things you have to do in a campaign. It’s tough to then say, “You know, I’m sorry, but I’m now moving into a professional job—”

**Polsby:** You can’t run the government.

**Panetta:** That’s right. “You don’t have the experience to deal with those issues.” So there’s a very natural temptation to say, I’ve got to reward the people who have been with me during the campaign, and what’s the best place to do it? I’ll stick them into a slot in the White House, take a job there. But I think you pay a price for that, because operating a campaign is not running the federal government. It’s not the depth of experience and knowledge you need to run some of those jobs in the White House. It just demands a hell of a lot more than somebody who can do the advance work on a presidential campaign. That was part of the price.

Part of these people too, you have exposure to the candidate in a campaign, at events and what have you, at parties, etc. And they live to a large extent off of that touching, the ability to touch that personality. And when you’re President it isn’t the same world, and yet they felt like they ought to have the same exposure to that individual, because that’s how they were energized in terms of their work.

So a lot more people were going to the policy meetings, they were walking in the door. The fellow who actually had that quote was a guy who was from Massachusetts, and he became head of the Peace Corps I think.

**Riley:** Mark Gearan?

**Panetta:** Mark Gearan. I think it was at a staff meeting that he said, “This staff reminds me of a soccer game in kindergarten where everybody just chases the ball, because everybody shows up at these meetings in the Oval Office.”

I think that was part of it. The other part was that Mack McLarty was a good friend of the President. He thought that he could operate through a process of consensus. He would always try
to see what he thought the President and the First Lady were trying to do and then try to guide it. He would sit in a room and let others work it through.

**Polsby:** He was head of a Fortune 500 company.

**Panetta:** Yes, an energy company.

**Polsby:** He was used to organizational charts and the whole panoply of management stuff. I mean, the myth is that people with your background can’t manage, Congressmen can’t manage anything, what do they know, they can’t manage the congressional office.

**Gilmour:** Your career has been in the least hierarchical of all organizations, the U.S. Congress.

**Polsby:** All right, it seems to me some of the proverbs that we’re used to hearing a lot, namely “Members of Congress can’t manage, businessmen can,” are clearly not reflected in the experience of the Clinton administration.

**Panetta:** There is no management job on the outside that in any way can compare to managing the White House because you’re dealing with political forces, with the legislature, with all of the constituency groups that are out there, all the interest groups, and you’re dealing with all the issues the President has to deal with. I don’t think there’s a management job in the world that has to work those balls. Part of it may have been that McLarty came out of the business world and had not had that full breadth of what Washington was like, to have to deal with all of those different balls. I remember Mack calling me in and saying, “What do I have to do?” Because I was running OMB and dealing with all that. He said, “What do I have to do to better manage the White House?”

I said, “You’ve just got to take charge, you have to have some organization chart here that makes people responsible to others.” I would do regular staff meetings, and I went through what I thought made sense in terms of trying to run it.

There was a trip to Europe celebrating the landing at Normandy and the President asked me to go along on the trip, and my wife and I both went. On Air Force One going over to Europe he pulled me aside and said, “What do I have to do to get the White House in better shape?” And I told him what I had told Mack. I said, “It’s like everything else, you need to have a chain of command, you need to have an organization. There are too many people who don’t know who they’re reporting to, and there’s no sense that there are any lines of authority. You’ve got to make lines of authority very clear, because otherwise everybody’s going to do their own thing.” I said, “That’s number one. Number two, you’ve got to set a pretty clear agenda as to what’s important in terms of what you do because—”

**Polsby:** Okay, that’s crucial. In certain respects, the organization of each White House comes out of the head of whoever the President is. So you had to deliver that medicine to him.

**Panetta:** Yes, that you as President have to decide what are the three or four key priorities that you’re interested in and that you have to focus on.
Riley: Did you also address at this point his own operating style? We hear about “Clinton time” being a half an hour late—

Panetta: Yes.

Riley: And his proclivity for allowing anybody into the room? At what point, is it after you’re—

Polsby: And not to reach conclusions—

Panetta: I think at that time I did say, “Look, as President, you’ve got an awful lot to deal with. You have to organize your day in a way that allows you to use the bully pulpit, do the issues that you care about, but also to sit back and do some of the thinking that has to be done in this job, that you have some room to do that. Because if you’re running constantly throughout the day and every day and you become exhausted, very frankly you’re not worth much to anybody. So you do have to organize yourself better.”

Riley: He’s fabled for keeping late nights.

Panetta: You need to put some of these responsibilities on your Chief of Staff. You’ve got to be able to have Mack make some of these decisions, take some of the issues. You shouldn’t have to deal with every damn thing that comes across.

By virtue of some of the meetings I had participated in at the White House, I had a sense that there was some chaos. I relished going back to OMB. OMB is probably one of the few professional organizations in the federal government where I had 600 people who are pretty professional. They’re not just Democrats and Republicans. These are people who really have worked with their areas, and they respond to authority. You tell them something, it’s an organized approach. So I relished that. Every time I’d get calls to go to the White House, I’d go over there, and there was either a task force or something where everybody was churning.

There was a dinner we held where the President brought in these presidential scholars, who were saying—

Polsby: That was Fred Greenstein’s—

Panetta: I don’t remember who they were, they were presidential scholars.

Riley: This would have been before the transition.

Panetta: Before the transition. Their comment was that he did it for the Cabinet and he said, “This is a very good Cabinet historically, there are a lot of good people on it.” I’ll never forget, Lloyd Bentsen said, “Yes, and one of the best things is the fact that Leon Panetta is Director of OMB because everyone has been able to get the budget through, and he’s been able to get through all the appropriations bills and I think we actually met our deadline that year.”
I was really honored that Lloyd said that, it was a nice thing to say. But I have a feeling the President heard that. It was soon after that that I began to get these feelers, “Would you be interested in becoming Chief of Staff?”

We had the trip and he asked about it. Then I saw Gore in the parking lot and he said, “The President is thinking about you becoming Chief of Staff.” I told Gore at the time, “Look, I’m doing OMB, we just passed the economic plan, I’m doing all the appropriations stuff, we’re getting all his priorities funded, I’m doing all this stuff. I really think I’m much more valuable where I am, at OMB.” Besides that—

Gilmour: It’s a more orderly environment.

Panetta: I have to go over there and deal with that chaos? I don’t know if I can survive. Also, I knew that in the end, I had a relationship with the President of respect, he trusted my views. But it wasn’t like I was a buddy of his, I didn’t go back to Arkansas.

Riley: You weren’t a member of the regular hearts.

Panetta: That’s right, I was not an FOB [Friend of Bill].

Gilmour: By all reports you did a very good job of reorganizing the White House and introducing a discipline to it and organization, but when I look back over your career, I don’t see where the preparation was for that, or what the model was.

Panetta: Well, I’d seen everything happen there, but I’ve often said that being Chief of Staff is more a battlefield position than a management position. You have a mission for that day, you’ve got to take the hill and you’ve got to take all kinds of incoming fire. You’re going to get shots coming at you and you’ve got to keep your eye on it and you’ve got to make sure that the team doesn’t panic and run in different directions, that they’re all disciplined enough to do it. I learned that more in the Army than I did anything else. I think it was probably a combination of things. It was my Jesuit training in Santa Clara—

Riley: Very hierarchical organization.

Panetta: It was a very hierarchical organization. So I think that was part of it, and part of it was the Army, part of it was just being Italian. I have a work ethic in the sense of having an organized approach to getting things done. So a big part of it was just instinctive. I had to organize, I had to put together a budget on Capitol Hill. There’s nothing that demands more organizational skill than having to work with 16, 17, 18 chairmen, piece that together and make sure you’re keeping all these horses running in the same direction. That’s part of it. Being chairman of a committee also helps you organize, just because you can’t get the job done unless you have some organizational sense of what needs to be done.

I think all of those were important skills. If this is the goal and you’re here, and you know you have to go from here to there, the ability to tack your way to get there is an organizational skill. How do you organize yourself so that ultimately—
Polsby: So it’s more like sailing than like marching.

Panetta: That’s true, it really is. I mean politics is much more tacking and sailing than just marching forward up a hill. You need to have those skills. It was pretty basic. I have to tell you, when Mack McLarty told me he didn’t have an organization chart for the White House, your traditional a box here, a box there—

Polsby: I made a note of that. You had never in your life, excepting when you were in the Army, been part of an organization that had an organization chart.

Panetta: Yes, but—

Polsby: Yet when you came in, the first thing you asked was—

Panetta: Where’s the organization chart?

Polsby: —where’s the organization chart?

Panetta: Yes, because you’re dealing with all these assistants to the President, special assistants to the President. My sense was, I have to find out where the hell all these people belong, in terms of a chart. Where are they in the chain of command, who do they respond to? I knew in the end, the biggest problem about becoming Chief of Staff is that you’re suddenly walking in on an organization that had been about a year and a half in operation. Everybody has developed their own little jurisdictions, their own little turfs, and you’re suddenly walking in on that and saying, “Wait a minute, you have to do things this way.”

Riley: Could you go back—you left us in the parking lot with Al Gore—and complete your discussion about that and when you all went to Camp David.

Panetta: Yes, it was fascinating to me. So Gore mentions that the President is seriously thinking about having me become Chief of Staff, and I told him my answer. He says, “I know, but you have to think about it.” I said, “I agree with you.” Myself, I made the decision this is not something I want to do.

The next thing I knew is that Gore’s office was calling saying that they wanted me to go to Camp David and meet with the President. I had to go up to the Vice President’s house and they would helicopter me up to Camp David. I knew Al Gore well enough to say, “Al, what the hell is this about?” He says, “The President wants to meet with you and Hillary and wants to talk about this.” I said, “I know, but I told you what my feelings were.” He said, “No, I understand, I do.” So I helicoptered up and Gore said, “You’ve got to think seriously about this, because it’s really important. We’ve got to get better organization. The White House has to be structured better, not the way it operates now.”

I told him, “I think the most important thing this President has right now is the economic stuff and there’s nobody—Alice knows the substance, but she doesn’t know how to deal with these
chairmen and Capitol Hill and both sides. In the end, that’s what it’s really about, getting your agenda accomplished is really important.”

So we go up to Camp David and we go into the President’s cabin at Camp David and it’s the President and Hillary and Tipper and Al Gore and me. The President says, “We’d really like you to consider becoming Chief of Staff, we really need you for this.” I said the same thing, “Mr. President, blah, blah, blah, I’m much better at doing the work at OMB.” And the President said something I’ll never forget. He said, “Leon, you know, you could be the greatest OMB Director in history, but if the White House is falling apart nobody is going to remember you.”

I said, “Well, we have to think of the consequences here. If I go over there—and Alice is a good woman, she can do this, but in terms of the politics, all of the work and all the bases I cover for you it’s going to be tough.” And he says, “Well, you can do that from the Chief of Staff’s job.” I said, “The Chief of Staff has to operate the whole White House staff.”

In the end you’re in the presence of the President of the United States and he’s asking you to do something. I said, “If you really want me to do this, out of loyalty to you I’ll do it. But it’s really important that, number one, I have your trust. We have to have a relationship in which you are willing to tell me everything you believe and what your concerns are, and I have to be able to tell you what I believe. We really need to have that. Number two, I need to have the First Lady’s trust. That’s process as well.”

Polsby: Now that would have been an unusual thing for a Chief of Staff to say in any of the 200 years of the Republic.

Riley: Except maybe in Woodrow Wilson’s Presidency.

Polsby: The last six months of Woodrow Wilson’s Presidency.

Panetta: Yes, but I had enough experience to know that she was an important player. I said, “I have to have the Vice President’s trust and his support. I have to have the ability to organize the White House the way I think is right. I’ll certainly recommend it to you and you’ll approve it, but I have to have your authority to reorganize and do what I think is necessary to get the basic organization.”

Polsby: What were the main items of reorganization that you instituted? I couldn’t get those, frankly, out of the organization charts that you guys provided.

Panetta: Well, what I did, they have Deputy Chiefs of Staff, but below the Deputy Chiefs of Staff there was no line authority to the other positions. I said, “I’ll have two Deputy Chiefs of Staff and one will be in charge of personnel and scheduling—”

Polsby: Who was that?

Panetta: That became Erskine Bowles.
Polsby: Okay, and the other one was?

Panetta: The other one was Harold Ickes. And Harold Ickes I made responsible for politics and some of the policy areas. Under them I defined the aides who would report to them, to the deputies and that they would have oversight over those areas.

Polsby: Before this everybody reported to Mack directly, if they reported to anybody.

Panetta: Or not. So I developed that chain of command and then I also wanted to make sure that the key people—press secretary, the national security director, the head of the Economic Council, OMB, counsel to the President, some of those key positions—reported directly to me, because these are what I would call upper-tier staff. So they reported to me, and then under the deputies everyone had somebody they had to report to.

There were three areas I thought were extremely important to focus on. One was the organization, developing the organization chart and who would respond to whom. Second was the importance of a greater discipline as far as the operations of the Oval Office were concerned.

Riley: Limiting walk-in access?

Panetta: I wanted to make sure that anybody who wanted to see the President from staff, from the Cabinet, would go through me. If somebody wanted to see him, even the National Security Advisor, Tony Lake, came to me and said, “I need to meet with the President.” I would take him down and we’d work out something. I wanted to have some control over that.

Polsby: Was there any back door under your system?

Panetta: For some of the friends from Arkansas, if they came walking through, and they usually went to the office, sometimes they might pop in.

Polsby: But nobody who was participating in the running of the government.

Riley: Anybody who was operating the government, staff level, the Cabinet?

Polsby: Of course, Mrs. Clinton was a back door.

Panetta: Sure, absolutely.

Polsby: So through her they could have driven a convoy through there.

Panetta: If she wanted to do that, you’re right, but she was pretty good about that.

Polsby: And the Vice President, the same way.

Panetta: The Vice President actually would talk to me about setting up time to meet with the President. When I’d set up the meeting, I would go to the Vice President and say—
Polsby: So he’s a naturally orderly person.

Panetta: That’s right. Gore respected that, and I think it also helped that we had a relationship.

As I told you, they had this unique relationship and in historical terms, I don’t think there were a President and Vice President who had quite the bond that these two had. There’s a competitiveness there that maybe in other administrations was much more obvious, but there’s always a sense of what’s the Vice President doing, what is the President doing? So you always had that kind of thing, but it was—

Polsby: Within bounds.

Panetta: Yes, I think that’s the way to say it, it was always within bounds. So that was number two. Number three was focus in the sense that the scheduling had been done on a day-to-day basis, and what we wanted to do was to convert it to looking at three months and six months and develop a schedule that allowed us to look ahead and develop a focus for a week or for each day. What was going to be the principal focus for the President? Instead of always having to respond, we began to get ahead of it and organize some direction here and take control of it, as opposed to just reacting to the schedule. So if there was an educational event, we would use that event to announce something on education policy. And then we began to look at what the President’s priorities were, the economy, crime, dealing with cops on the street, education, research, whatever it is.

Having been OMB Director helped a great deal because with Gene Sperling’s help we identified the presidential priorities. What are the 10 or 11 or 12 areas that are the President’s priorities? So you knew these were the areas he cares about. He cares about education, he cares about the science stuff that is being done over at Commerce. They all cared about that. They cared about some of the labor issues, the job-training issues, cared about some of the housing issues. There was a set of stuff that was really important to the President. So we worked on that, and they went back to the campaign. Gene Sperling did a great job of saying, “These are the things you’ve got to emphasize.”

That became helpful as Chief of Staff because then you knew that you could hit each one of these buttons over a period of time. Also in that schedule each day, we created a little more order in the sense that the President in the morning would get his CIA briefing at 10 or 11 o’clock. To some extent I enjoy watching Bush because I think they’re following pretty much the same approach in the sense that you do the briefings in the morning and brief the President, do the CIA briefings, do the events some time between 11 and 1 o’clock. Give him some time between 1 and 3 just to get his shit together, to be able to think and to call whoever he wants or just give him a little room during the day to do the things he wants to do.

I found that that actually improved his mood in terms of the ability to take out a little time to eat lunch and do something for himself, and after that you do briefings. If there are issue briefings you set those, and in the evening he would do receptions or whatever he had to do. So his days became a little more orderly.
Riley: I want to dial back very quickly just to finish off the discussion you were having at Camp David. You identified for Nelson the three areas that you made changes in. How elaborate was your understanding with the President about what these changes would look like? Did you have an extended conversation with him at Camp David at that time about what you’d like to do, or—

Panetta: It all happens pretty fast. The conditions I talked about, that I needed his trust, and the First Lady’s, and the Vice President’s, that I wanted the authority to make changes in organization, that I needed to have full authority over the White House staff, nobody could back door me. Again, it goes back to my philosophy of the Chief of Staff’s job, which is not the spoke of the wheel, it is not the President’s spoke of the wheel, it is much more President, Chief of Staff, and then coordinating through that. That’s the way I operated. Operating that way made the best sense for me, in trying to bring some order to the place. But I needed to have his blessing.

He says, “Fine” and everything’s okay. I said, “Now, did you talk to Mack McLarty about this?” He says, “No, we haven’t really discussed it with Mack yet.”

Riley: That’s your first job?

Polsby: Hardly.

Panetta: I can’t really do that, it’s got to be the President. So I said, “When do you want to do this?” I just assumed it was maybe a week away so I could make some changes. They said, “We’ve got to do this like tomorrow.”

I think we came back, maybe it was Sunday night or Saturday night, and it was Monday or Tuesday of that week that they wanted to make the announcement. They really put it on a fast track. But what concerned me was that I wasn’t sure whether Mack was really in tune with what the hell was going on.

I think the President had this conversation over in the White House with Mack and then Mack called me over. He said, “I’m glad about this.” He said, “I’m going to become counsel to the President, I want to continue to stay in the loop” and all this. I said, “That’s all fine, but Mack, you know you’re going to take a hit for this.” He had this look in his eye like, What do you mean? I said, “Mack, the press is going to say that you were replaced as Chief of Staff. You understand that. You will become counsel and all that, but just understand that you’re going to take a little hit.”

He said, “Well, it won’t be that bad, will it?” I said, “Jesus Christ, yes, that’s the way it’s going to get played in the Washington Post.”

Polsby: Now that’s what people mean when they say Washington is a special place, that he didn’t understand that.

Panetta: Yes.
Polsby: Right off the bat, marks him as an outside player.

Panetta: Yes, he’s a very decent, genuine guy. I think he thought that by virtue of becoming counsel and everything, this would be just moving people around, and it’s what you do in organizations, corporate organizations. That’s fine. But I felt a little bad about it because I didn’t want to—

Polsby: You were bringing him bad news.

Panetta: On the other hand, I cared enough about him that I didn’t want him to think that there’s going to be a soft-glove approach here. You’re going to get hit.

Gilmour: And if that happened, how did he respond?

Panetta: I think it probably hurt him. I think it did hurt him.

Polsby: Have you talked to him yet?

Riley: We’ve talked to him. My sense, and I have to be careful not to characterize what another respondent has said, but my sense is that, as he presents it now, there was a sense of relief on his part. I think he understood that he was not suited for that position and in fact, that was part of the reason for the enormous delay incurred between when he was first offered that job and when he accepted it, a degree of uncertainty about how well suited he was to do this.

Polsby: I’m not privy to this so I can remark that he seemed to me, from the outside, as psychologically as near to a grownup as the early White House had.

Panetta: Oh, yes, he was probably the only grownup. He really was. He came out of the corporate world, he had both feet on the ground. When I first met him, and I had not met him before, he was always very encouraging about doing the right thing on the budget, etc. But I think he was over his head with regard to the big picture that you’ve got to work with. I’m not sure the President ever really gave him the license to do that job.

Riley: This goes back to my basic question about your understandings with the President, and I’ve touched on this in three different ways with my questions. That is, how do you get the President to agree to be the disciplined person he needs to be in order for the rest of the shop to be disciplined? Evidently you did have these conversations with him.

Panetta: One of the first things I did was tell him not to jog with short pants on, because it just didn’t look right. Some others had commented on it and I said, “You really ought not to, it doesn’t look presidential and, very frankly, it’s not.” And to his credit he didn’t say, “You’re full of shit.” He said okay and he didn’t. I also said, “You can’t jog in Potomac Park because Secret Service said it’s too dangerous.”
I think he responds to that kind of thing, when you say it like that. I never had the impression that it in any way affected our relationship. I always felt free enough to be able to say that, and I always felt that was important. There were some people, for example, on Air Force One about whom I said, “I’m sorry, they ought not to be on the plane.”

**Gilmour:** It seems that the early White House organization in a way is a reflection of his intellectual style. He wants a free-wheeling style with access to lots of information. You’re imposing a very different kind of organization. Did he like that or not? Did he feel cut off from the—

**Panetta:** In the end, I could not have done this unless he really wanted to do this. He could have made it horrible for me. He could have said, “I just don’t want this kind of organization.” He could have done that. He’s President of the United States. After all, he’s the one who is ultimately in charge. But it’s part of being a President who has a fast learning curve in that job. It didn’t take him very long to understand this is not Arkansas anymore, Dorothy, this is a very different place. Unless he becomes disciplined in that sense, he’s never going to be able to do the things he wants to do. I saw that with him, when we would brief him for a press conference.

You’ve probably heard these stories where we would say, “You’re going to be asked about Paula Jones.” And he would just go crazy. “You have no business asking me about that!” The Vice President usually would handle the remark like, “Oh, that’s good, that should make the top of the news.” [laughter] It was usually that kind of comment that the Vice President would make and suddenly the President said, “Oh, all right, all right.” And we would say, “This is what you’ve got to say: ‘This press conference is about education benefits, my counsel handles those issues,’ and move on.” And he would do that. He followed that script very well.

If the President was practicing a speech and you’d say, “You can’t put the emphasis there, you’ve got to put it over here,” or “stop here,” or “stop there,” he was very good at responding to it. He was a quick study in that sense.

If I hadn’t developed a relationship of trust with him as Director of OMB, I don’t think I would have ever succeeded as Chief of Staff. I think the fact that I had built that relationship with him helped a great deal. For some things that I sensed he was trying to figure out, I think he was probing to see where I was really at. You have to protect yourself a little bit in that process as well, to say, “Wait a minute, no, no, we’ve got to focus on what we have to do.”

**Polsby:** Okay, your top management job as Chief of Staff is managing the boss. All right. Next is managing your subordinates. We’ve covered keeping them out of meetings they ought not to be in, controlling access to the President. Now how about the performance of your subordinates in their jobs, how did you keep track of that and monitor? Was it simply a matter of seeing who made mistakes and dinging them then, or did you have some better way of monitoring the performance of people who were working for you?

**Panetta:** The other thing that I instituted, and I told McLarty to do this but he never quite got it done, and I remember telling the President this as well. You had to have an upper echelon staff meeting every day at 7 o’clock. I think we met at 7, yes, 7:15.
Polsby: So you found out who the morning people are.

Panetta: Yes, really. You have to start the day that early just to get ahead of it. And at that meeting, which was the upper echelon of the White House staff, we had the NSC [National Security Council], we had the Economic Council. Incidentally, when Rubin went over to Treasury, Bob Rubin wanted to keep coming to those meetings, even though he was at Treasury.

Polsby: Henry Kissinger had the same experience.

Panetta: Yes.

Polsby: When he went over to State he wanted to continue to be National Security Advisor. They actually had to kick him out of the building.

Panetta: But you pointed this out. The reality is that the reason a White House staff becomes powerful is because of proximity, they’re there.

Polsby: Sure, of course. How do you monitor, how do you decide whether Tony Lake’s doing a good job or not?

Panetta: That meeting helps a great deal because the way I ran it was number one, to get a report from Tony Lake, and if he wasn’t there to get it from Sandy Berger, as to what was happening on foreign affairs. What are the issues that are breaking? So you get the one, two, three. And usually, during that presentation, you have a pretty good sense of whether they have a handle on the issue or whether it’s gotten away from them. Because you ask the question, “Okay, you’ve got a crisis in Bosnia, what the hell is going on, what do we intend to do about it?” So we’re having an NSC meeting, we’ll have this and we’re going to do that and we’ll have to bring some briefings to the President.

Or if I read something in the Washington Post or the New York Times and he didn’t cover it in his briefing, I’d say, “What are you doing about that? Venezuela’s going through riots,” or “Something’s happening there, what do we know about that?” So that was the opportunity—

Polsby: You’re using the main news media to monitor the performance of your important—

Panetta: Sure, sure, a lot. Because what’s appearing in the Washington Post and the New York Times and the Wall Street Journal to some extent dictates your day, because that’s what’s going to impact—

Polsby: Sure, and what the President’s going to have to answer to himself.

Panetta: Exactly. So I would do foreign affairs, then I would do congressional affairs. I had the congressional person there talking about what’s happening on Capitol Hill. What are the bills that are up there? What are the nominations? What are the one, two, three, four things we’re
working on today? And if I knew something I’d say, “Have you taken care of that?” or “Have you talked to this member?” So that was number two.

Number three, I would do an economic piece usually. And there I would have either Alice talking about OMB or I would have the economist tell us what the hell is happening in the economy, just to get a sense of that issue. Then sometimes at the top, sometimes not at the top, I’d ask Mike McCurry, “Mike, what is the press talking about today? What are they asking you?” And even at 7 o’clock in the morning Mike had a pretty good sense.

Polsby: Now, by common agreement, he was tops in his work.

Panetta: He was the best.

Polsby: How did you know this? He just knew what was on their minds?

Panetta: Because Mike had a very good relationship with the press. He had done a good job over in State working for Christopher, and he was someone who knew those issues, but he also developed a good relationship with the press. And you can always tell somebody who’s got a good personal relationship with the press, that’s the kind of person who gets immediate feedback. And between him and Stephanopoulos—Stephanopoulos usually had a pretty damn good sense of what was the headline for the day, what the press was playing that day. He could nail it pretty well. “Let me tell you what today’s story is going to be.”

Polsby: You didn’t try and control that the way, say, Mike Deaver did for the—

Panetta: No, but I wanted to know it, because ultimately if the President was going to do something with the press almost every day, you had to have a pretty good sense of what the hell was going to be their issue for the day.

Polsby: Why didn’t you try to control it?

Panetta: To some extent you try to control the message. That’s why you set an event that day. But as you know, times have changed. It is not so much the President’s agenda as the press’s agenda.

Polsby: You’re just more fatalistic. [laughter] That’s the Jesuit training.

Riley: A lot more Presbyterian.

Panetta: White House counsel would present a report and that always got a little—

Polsby: Oh, my goodness.

Panetta: That would be the shortest part that got bigger and bigger all the time. I had brought in Ab Mikva as White House Counsel and he was great.
**Polsby:** He burned out fast though, didn’t he?

**Panetta:** He did, there were a lot of hot issues that he had to deal with.

**Riley:** He was the third counsel, right? Because he succeeded Lloyd Cutler who succeeded—

**Panetta:** Yes, Cutler was there first and then we brought in Ab and—

**Riley:** Bernie Nussbaum before—

**Panetta:** Three.

**Riley:** An unusually high number.

**Polsby:** That’s interesting. These guys tended to be older and just the sheer energy that you needed on that job.

**Panetta:** Yes, you’re absolutely right, it’s a very demanding job. So I’d get that report. Then I’d say at the end of that meeting, “What are the priorities for the day, what do we need?” We would talk about the President’s schedule as we knew it for that day, what was going to happen. So everybody was on the same footing for what was going to take place.

After that meeting, at 8:15 usually, we had a broader White House staff meeting where we brought in all of the other assistants to the President.

**Gilmour:** How many people would that be?

**Panetta:** That was a much larger group. It was in the Roosevelt Room and that could be as many as 30, 35 people if not more—

**Polsby:** These are the people who were excluded from the early one.

**Panetta:** That’s right.

**Polsby:** And their reward is the 8:15 meeting.

**Panetta:** The 8:15 meeting is their reward and it’s also the opportunity, again I would go through the President’s schedule, the priorities for the day, we’d talk a little bit about congressional affairs, some of the foreign affairs, although usually Tony Lake and others sent another person to describe—

**Polsby:** But now, this is your programming them, rather than their informing you.

**Panetta:** Right, but at the same time, it was invaluable because every once in a while—

**Polsby:** They’d respond—
Panetta: Something would come from some presidential assistant about something that was happening that was important to know about. But it was basically to program them so that they were in line with “This is what’s happening today, folks, and we expect you to do this.”

Then, just to run through what the rest of the day would look like, that meeting would end close to 9 o’clock. I would go from there to the Oval Office, usually between 9 and 9:30. I worked off a yellow pad. I’ve been doing that for years.

Polsby: Now you’re back to managing your boss.

Panetta: So then I take what I collected—I’ve got a yellow pad that establishes all of these different reports and priorities, and I go to the President and brief him. It’s a one-on-one and I take him through, I even touch on foreign affairs, even though the National Security Advisor is not there, because that’s the next briefing. But I want him to know, “This is what’s happening, you’ve got to be aware of that, this is what’s happening on Capitol Hill,” blah, blah, blah. I go through the priorities. Then I get some input from the President. The President has read something or something concerns him, and he’ll feed it back to me and he’ll say, “Try to take care of this” or whatever. But that was a good way to be able to say to the President, “This is what you’re facing today.” And if there’s a story blowing up, and he wasn’t always aware of everything, I’d say, “Look, this story is going to break,” and I was the one to tell him in the morning.

Polsby: Okay, hiring and firing of the staff. How far down the tree did you get personally involved?

Panetta: If it involved a presidential assistant or Cabinet Secretary, I was usually the one to do it. I don’t think the President of the United States ever calls someone up and says, “You’re fired.” I remember when I did the Surgeon General, and the Surgeon General is the one where I called—

Polsby: Oh, yes, the woman from Arkansas.

Panetta: The report came out that she had said it was okay for kindergartners to use something, prophylactics, I can’t remember what the hell it was, birth control. I think she was saying that they ought to be taught about that in kindergarten or something like that, and I thought, Oh, God. We had gone through—

Polsby: That’s what prophylactic means, ahead of time.

Panetta: I called the President and said, “I think this is it.” He said, “You really think so?” I said, “Let me tell you, I think this is one you’ve got to draw the line on.” He said, “Okay, go ahead.” So I knew I had to call her, and I said, “I expect your resignation to be on his desk”—

Riley: Well, at least you told her, she didn’t read about it in the Washington Post.
Panetta: And the same thing was true with Mike Espy and others, which was much harder at the time.

Polsby: As it turned out, Espy was innocent.

Panetta: Yes, in the end, innocent of that. Not innocent of bad judgment, but innocent of ignorance of the law.

Gilmour: Whatever he was accused of.

Polsby: But I was talking about on your staff.

Panetta: My staff?

Polsby: The White House staff. Would Erskine Bowles hire and fire in his category—

Panetta: He wouldn’t do it without coming to me. If he said, “I think somebody is screwing up,” then I’d say, “Go ahead and get rid of them.”

Gilmour: In his book, George Stephanopoulos complains about having less access at various times.

Panetta: Yes. As I became Chief of Staff, there was a growing concern about leaks, as in a lot of White Houses with the exception of this White House. The President was very concerned. He thought that Stephanopoulos was the person who was leaking—

Polsby: Now that we have his memoirs, it’s clear he probably was.

Panetta: I’m sure he was talking to the press, and I’m sure he was trying to plant stories. Another one of the problems was we had these counsels and assistants who wanted to have free rein. They could wander around, they were not reporting to anybody. So the President said, “Look, I think you ought to get rid of Stephanopoulos.” I said, “Well, you know, he’s got a great political sense in terms of what the press is thinking, and he’s got a good political sense of Capitol Hill. He’s a good resource. Let me reorganize it. What I will do is put George underneath your Chief of Staff and he will have to report to me, and he’s not going to walk into the Oval Office.”

So one of the toughest things was saying to George, “You will report to me and, George, it’s the difference between whether you have a job or you don’t have a job.” And to George’s credit he said, “I’ll do that.” It was not always easy. George used to want to be in on every meeting and I had to say, “George, you’re not in on this one.” But I think that actually worked out best for the President because we had the input of somebody like that, and he had a political sense of what the President ought to say or do that was always very good.

I think it worked out. But clearly his head was on the line when I first went in there. I think the President and the First Lady had decided he was the guy doing all the leaking.
Polsby: Why are White House people so worried about leaks? I mean, there are two sides of leaks, right? On the one hand, leaks are trial balloons. It’s sometimes helpful to get advance notice about what you intend to do, to see exactly how many animals you’re going to stir up. The proportion of leaks that actually damage your capacity to make the decision you want seems to me quite minuscule. So why do people worry about it so much?

Panetta: Leaks that are planned leaks are one thing, where you deliberately provide the leaks in order to get that kind of input.

Polsby: That would be true whether you planned it or not.

Panetta: But normally, what you want to do is at least have the room to be able to work it through, particularly with the President, as opposed to having something that suddenly jumps out before you’re dealing with the President.

Polsby: Are you afraid you don’t want to be questioned about it by the press, is that the main problem?

Panetta: Well, you want to shape the message, you don’t want the press to shape it. You want to shape it and then the President can put his spin on it and then they can do whatever the hell they want to do with it.

Gilmour: It sounds like Stephanopoulos had a relationship of reciprocity with the press, where he might have been feeding them information that was valuable to them, but they were giving him information about what was going on in the press that was valuable to you.

Panetta: I think that’s true.

Gilmour: But if you cut off his information flow to the press, maybe they’d quit talking to him and then the White House would lose a valuable source of information.

Panetta: Probably this White House more than any has the same reaction, but if there is something you don’t want to have leaked from the White House and you read it in the Washington Post it drives people wild.

Polsby: That’s right. But I, as a complete outsider, just wonder about it.

Panetta: I don’t disagree with you. If you stand back and look at the big picture it’s like, “Welcome to democracy.” It’s all part of the process. Probably Clinton was more angered by that than others. But it was an open process. Certainly in the first few months it was much more undisciplined that way.

Riley: He had also taken many more bad hits than earlier Presidents and had developed a sensitivity—
**Polsby:** Well, that’s true, and there was a problem of some issues blowing up out of a summer sky that were really hurtful to him, like gays in the military.

**Panetta:** That’s right. I never quite understood this but initially, this President came in with an opportunity to become more like Kennedy than almost any President since Kennedy—young, exciting, etc. I think the press was just waiting there to develop that same relationship. And almost from the beginning, whether it was the President or the First Lady or even Stephanopoulos to that extent, something developed that bruised that relationship.

**Riley:** I think the credibility problems during the campaign.

**Panetta:** And it never healed. One of the things Mike and I kept doing was saying to the President, “You’ve got to take the time to sit down with these people, talk with them, because frankly, you’re one of the brightest people around and the press loves that. They’ll respect your intelligence. I think the President got better at it as time went on but it was tough. That’s one of the things you have to deal with.

**Gilmour:** Did he not enjoy interacting with members of the press?

**Panetta:** There were some members he liked to deal with, but it was generally a combative relationship in that in those kinds of sessions, you’ve got to take the hard questions with the soft questions. And if you get the hard questions—Although again, he got better at not being fazed by that. But there was a time when the hard questions would get in, and they angered him.

**Riley:** If I could intervene and call a break right now, we’ll do that for about five minutes and come back. We’ve only got about another hour and a half and there’s still a lot of stuff on the agenda, the midterm election.

**Gilmour:** And the budget in ’95.

**Riley:** The shutdowns and so forth. If we could move on to those when we come back.

**Panetta:** Sure.

[BREAK]

**Riley:** There’s a fair amount of testimony from you about the ’94 midterm elections in the other interviews, so I think the only question I’m going to ask you about that is this. In one of the press accounts, according to the timeline, there were evidently some recriminations inside the White House after the ’94 campaign. One account indicated that some aides had signed a memo or something complaining, I think the account said, about your stewardship of the White House, going into the ’94 midterm elections. I’m just wondering if you have any recollections of that or how you sought to right the ship after that very difficult blow.
Panetta: I honestly don’t have any recollections—

Riley: It could be a false account, I don’t know.

Panetta: —which is not to say that there weren’t recriminations, because obviously when you suddenly have an election in which you’ve lost both the House and the Senate—

Polsby: Now why was it Leon’s fault? I didn’t get the—

Riley: I don’t know, I didn’t see the account. I read an entry in the timeline that indicated there had been—And if it’s inaccurate then it’s inaccurate.

Polsby: I’m just curious, what was the beef?

Panetta: Well, as I said, I was not aware of any formal effort to try to put the blame on me.

Polsby: Here it is. “White House aides reportedly write an angry memo to Panetta alleging that he did not revamp the White House staff sufficiently after replacing McLarty.” Therefore you lost the 1994 election. How do you like that?

Gilmour: Stephanopoulos was mad that you had too much access to the President.

Panetta: I don’t know. As I said, I think there was a lot of concern about why it happened, but the President knew it going into the election. We thought there was a chance we would lose the Senate, but I don’t think anybody really thought we were going to lose the House. And it was the loss of the House that really combined—Suddenly Newt Gingrich was the Speaker of the House.

There were a lot of questions about why it happened. Even the President himself had basically said the following: Number one, that the Republicans had done a better job at raising money and had done a better job of developing a message that targeted the administration. Number two, that the combination of the gun control issue, plus the vote on the budget, taxes, plus some of the other votes that had passed on some of the administration issues had hurt some members, and that the Republicans had been much more effective at going after those. And number three, the administration had not developed a very good message with the public about what it was about. It had opened itself to all of these attacks from the Republicans but never had an effective countermeasure as to what Bill Clinton really stood for.

Healthcare was part of that in the sense that the healthcare issue had been raised, and losing the healthcare issue had conveyed an impression to the public that probably reinforced the worst suspicions about who Bill Clinton really was. Clinton was struggling to become centrist and show that he was really a new kind of Democrat and in fact had confirmed the worst suspicions about them being for socialized medicine and this kind of thing.

Nevertheless, there was a period of time when the President literally was struggling with, “What is it, what do we have to do to gain our feet?” Suddenly the Republicans are getting all this attention, Contract for America is getting all this attention. There are some accusations that the
President is no longer relevant to this whole process, it’s really that kind of approach. And all of that is creating a lot of consternation within the President as to what the answer is. So he’s meeting with a lot of people and out of this comes the Dick Morris syndrome where he basically goes back and asks Morris to do some polls as to the strengths of the administration, what he has to do to try to reposition himself for the next election.

And Morris does this polling and the President mentions it to me. I think that was the first time anybody in the White House knew about it, when the President said to me, “I’m having a friend do these polls and take a look at this, and this is what’s happened and this is what’s really being placed.” And I said, “Yes, who’s your friend?” Because what’s-his-name was still doing the polling. Harold Ickes still had—

**Riley:** [Stan] Greenberg?

**Panetta:** Yes, Greenberg was still doing the polling.

**Panetta:** So Ickes is concerned and says, “Who the hell is this?” And I said finally that I’d asked the President and he said it was Morris. Ickes knew of Morris, I guess going back to New York days, and just was really, “Oh, no, this is crazy, you can’t get this guy into it.” In the end I’ve got to pay for these polls, I’ve got to know who I’m supposed to send a check to.

So in order not to appear on the President’s schedule, they start to identify Morris as Charlie. They use this code word, they say, “Charlie’s coming” or “Charlie’s on the schedule.” So they used that for a while and then eventually, after we started having meetings on it, I finally said, “Forget it. Everybody knows that Morris is being talked to and let’s just confirm that and stop the games.”

It began on that basis and to some extent I think it’s because the President himself knows the history here with Morris. On the other hand he’s reaching out to him because Morris in his book is somebody who understands the political jugular, working both sides of the aisle, and has the sense of where he has to go in order to try to win the election. So that begins this period where we start to have meetings on a regular basis where we analyze these polls and begin to talk about where the President needs to position himself during this process.

**Riley:** And the media attention at this point has swung completely to the Republicans.

**Panetta:** It’s all focused on Capitol Hill, it’s all focused on Newt Gingrich. It’s all focused on that. The night of the election I was asked to go out and face the press. When the election results came in I was the only one in the White House and George and I and others agreed. I said, “I’ll go out and deal with it.” So I went out, obviously expressed our disappointment, but I said, “They’ve won a big victory, but the real question is can they govern? That’s ultimately going to be the question that will determine whether this is just a temporary thing or something more permanent, so I think that’s what we have to look to.”

And I told the President. I said, “One of my concerns is they know how to win elections, they know how to destroy the institution of the Congress in order to do that, but I’m not so sure they
can govern. They’ve been in the minority a long time, so that will be the real question. A lot of these things in the Contract for America are basically—I don’t think they’d make it past the Senate. So I think ultimately this thing will swing around, but we’re going to have to wade through it.”

**Gilmour:** They had a very crowded agenda, but the most important item or the most conspicuous item was the effort to balance the budget in seven years and is also perhaps the best test of their ability to govern.

**Panetta:** That’s right.

**Polsby:** What year are we in now?

**Panetta:** Early ’95.

**Polsby:** No, I mean, as between year one and year seven, what year are we in now?

**Gilmour:** This would be year three.

**Panetta:** This would be year three, because there’s a five-year plan on the Clinton plan—

**Polsby:** Well, then, they’ve got four years to turn it around.

**Gilmour:** Early on Newt Gingrich began talking about either using a government shutdown or forcing a default on government debt, a tool for bringing the President to his knees. Did you think he was bluffing in this or early on did it seem like this was something that they’d really do?

**Panetta:** I think it just confirmed my suspicions that they had no idea what the hell they were dealing with. When they’re talking about not passing a debt ceiling increase and then shutting the government down, it just confirmed in my mind that these guys don’t understand what governing is all about and ultimately this is going to blow up on them. So we were never intimidated by them. I don’t think there was ever a point at which we said, “Oh, God, they’re going to—” We expressed our concern that this was irresponsible, that it would undercut the credibility of the United States.

People on Wall Street, in the securities market, suddenly started saying, “Whoa, what are these guys doing?” Of course the press picked up on that and they understood. There was a point at which the President was trying to think, and was probably encouraged by Morris to say, “How can we work it through with these guys? Is there a way we can, particularly on the balanced budget issue, find a way to work out an agreement on that, because you know, while they may be crazy on some of these other issues, the fact is, on that one they may have some public support. So can we do that?”

Of course, the view of the economists within the White House, the Bob Rubins of the world, myself to some extent, was that you always try to work toward a balanced budget by reducing the deficit, but to say we’re going to get to a balanced budget by a certain date is always a game.
It’s not a necessary game. What you want to do is bring that deficit down on a gradual path. You want to do it in a way in which the economy can continue to grow while it’s happening. The last thing you want to do is suddenly to set an arbitrary date that undercuts the path of the economy. I mean, that was the more traditional economists’ view.

Clinton and Morris on the other hand said, “There is a way to try to cut. We should try to do what we can to cut a deal here because if we do, then you can at least have done something with the Republicans, you will have moved to the center.” So this is part of the triangulation approach to the new politics.

**Gilmour:** I guess maybe in the spring or early summer, the administration offered a ten-year balanced budget plan.

**Panetta:** We sat down with the economic team and said, “What does make sense? If we have to get to a balanced budget, what would be the right path?” And based on where we were going with the economic plan, based on where we thought it would make sense, we said we could get to a balanced budget in ten years. Let’s agree with the concept of a balanced budget but do it over a period of time that we think makes better sense in terms of the economy. So we debated that and there continued to be pressure from the political side, the Dick Morris side, to push this to seven years and try to see if we can’t agree on a seven-year path that would get us to balance as well. That was the internal battle. How far do we want to go, how fast do we want to go in order to meet the political argument, which was, don’t give the Republicans the issue about balancing the budget.

**Gilmour:** Was there much danger of losing Democrats to the Republican budget plan?

**Panetta:** Yes, there was clearly a danger because Democrats, having fought through the whole deficit/balanced budget issue during the ’80s and having done the economic plan, there was a sense that there was a lot of pain involved here, in terms of both taxes and some of the cuts that had gone into place. So Democrats knew that any time you commit yourself, having gone through Gramm-Rudman and everything else, every time you set an arbitrary date for balancing the budget somebody is going to get screwed and most likely it’s going to be the people they care about. So, yes, the Democrats were always much more anxious about trying to do that. Which is not to say that they wouldn’t support something over a long—I think we had their support, we had both [Tom] Daschle’s and Gephardt’s support for the ten-year plan, but the seven-year plan made them a lot more nervous.

**Gilmour:** As you’re getting toward the start of the new fiscal year and the Republican Reconciliation Bill is moving along and appropriations are moving along real slowly, were you doing polling to try to anticipate what would happen if there was a shutdown?

**Panetta:** Well, they were polling almost every damn thing and they had to be polling. I can’t tell you I specifically remember a poll on the shutdown, but a couple of things happened. First, we’re in a period where we’re getting a lot of attention and the full focus is on the Contract for America, and the House is running through all these bills and they’re not going anywhere. In a
sense they’re getting stuck, but they’re getting a lot of attention. And then Oklahoma City happens, I can’t remember the exact date.


Panetta: So in April suddenly Oklahoma City happens and, a little like September 11th, the country starts thinking, *Wait a minute, terrorism is real and this can attack and kill our own people.* And as you may recall, there was a whole sense at that time that the people involved with Oklahoma City were Middle East terrorists. That’s what we were looking for on airplanes. The FBI had gone to the airports. As a matter of fact, I think they may have arrested somebody at an airport, thinking it was somebody from the Middle East.

And to his credit, in the statement the President made about what had happened in Oklahoma he also made the point that we have to be very careful about not jumping to conclusions. He just seemed to be able to rise above it and do what Presidents are supposed to do in those situations. And he did it very well.

We put a task force together in the White House and we charged the task force to track it through, and ultimately we tracked it to these guys and arrested them. It was done pretty fast.

But the President throughout that period was very reassuring to the public, and I think it began to turn things around. The President began to reassert the position of the Presidency at a time of crisis, and he did it very well. He did it in a way that I think the public responded to. Then, you may recall, he did a speech I think in Michigan soon after that in which he talked about right-wing terrorism in this country and the groups that were talking about violence, etc. He tied it to gun control, and he took a bold step on that, but he was stepping out a little more as President.

What was beginning to show up on the polls was that people were starting to worry about what Gingrich was doing and what the Republicans were doing. They cared about the environment, they cared about the—Does this all sound familiar? They cared about what was happening, the economy, education, etc. They really were concerned about what was happening, and that was beginning to show up in the polls. We went through a debate on civil rights, and it was very interesting because Morris had basically polled civil rights in a way—to be frank, I never trusted Morris’s poll because I always thought he polled pursuant to what he thought should be done, and you can shape those polls. Get back the answer you want. Well, that was my suspicion. I have no proof on that but there are probably a lot of other people who believe that was true.

So he did civil rights, and he produced a poll that said the public would not support affirmative action. It created a real problem in the sense that a group of us went and said, “Wait a minute, Mr. President. Civil rights, affirmative action is what you’ve been all about, it’s the commitment you’ve made.” There was this debate about what the President should say about affirmative action. Whether we ought to obviously come out against quotas, but be for affirmative action or whether we ought to, say, move away from affirmative action and just talk about how we ought to be a colorblind society, that sort of thing.
It was one of the first times that I thought, the President has now gotten his feedback from Morris about what he thinks the politics is and he’s facing this, “Wait a minute, this is what I’m about, this is what I believe in.” He has a record of basically supporting—Blacks always had a special relationship with the President and they trusted him. Suddenly, it was, how is this thing going to come out?

The President ultimately said, “Look, I cannot back off affirmative action.” He had a speech set up at I think the National Archives Building, where he gave a speech on what the administration’s position was going to be on civil rights, and it was well received. Actually, it was interesting to watch Morris. Because when Morris knew that the President made the decision, suddenly Morris’s poll started showing how you could basically do some of the—

[laughter] That was Morris’s way of dealing with things.

But the President had a combination of Oklahoma City, affirmative action, a couple of other things in which he took the presidential high road—

**Riley:** The Mexican bailout occurred—

**Panetta:** The Mexican bailout was another one, and that was an interesting one because here I remember Bob Rubin came to the office and said, “You know, we’ve got to get the President to do this.” We knew at that point that it was not very popular, the public was not very supportive of it and yet Rubin argued very strongly, “If we don’t do this, Mexico could very well go down and it could affect the entire continent of South America as well as the United States.”

When we presented it to the President, there was no question in his mind that he had to do this. He didn’t have to call Dick Morris. He said, “You’re right, we have to do this.” And so, when we said, “We’ve got to do this,” we actually brought Gingrich and Dole into the office and they agreed that it had to be done. But then what happened is they went up to Capitol Hill and checked the members and called and said, “I don’t think we can get it done, we don’t have the votes to do it.” And at that point I remember saying to Bob Rubin, “Is there an executive way we can do this?” And we checked the law, and he did it by executive order and that was pretty tough, pretty bold at the time.

So there was a series of things where the President began to do some things that I think took the high road, and it all culminated ultimately with the budget stuff and the shutdown. I am absolutely convinced that what the shutdown did was give Bill Clinton the opportunity to identify who he was with the public in contrast to what Gingrich and the Republicans wanted to do. And it in essence did what he could not do the first two years, which is to say to the American people, “This is what Bill Clinton is about, this is what I believe in. This is what I’m trying to do.” What the shutdown did is it created that contrast, it created that political leverage that helped the public identify who Bill Clinton was. That happening was, to a large extent, one of the deciding moments in terms of the President’s ability to get reelected in ’96.

And that was a very up and down battle. There were times during that battle when, as I said, the President sometimes would say, “If we could just give them a little more on this or that, we might be able to cut a deal here, we might be able to get this done.” Because the President was
concerned about the shutdown of the federal government. He was concerned that it was looking like people in Washington had absolutely no control over what was happening in the country.

**Riley:** Plus he was the one actually having to take the precipitating step.

**Panetta:** Yes, he was the one, through his veto, who was doing that. It was all a blame game, who was going to get blamed, and the Republicans were hoping that Clinton would get the bigger share of the blame, but in the end, they got the share of the blame in the public’s mind.

My recollection is that there comes a moment during the time when we are meeting in the Oval Office and what’s happening now is we’ve got Bob Dole, Dick Armey, Newt Gingrich, Dick Gephardt, Tom Daschle, myself, the Vice President, and the President. On behalf of the administration, I am presenting proposals to see if we can find a place to resolve this, and the primary issue again is Medicare. How much do you cut Medicare, how much do you cut Medicaid and some of the domestic programs?

There comes a moment where we’re making an offer, and it’s like the last offer. The President is really bending over on Medicare. Frankly, some of us are concerned about whether he’s going too far. As a matter of fact, the Vice President doesn’t particularly want him to make this counter offer, but the President says, “Come on, let’s try it. This might be the piece that breaks us.”

So I put the counter offer up on the chart and Gingrich says, “I can’t do it. I appreciate your doing it, but you’ve got to move a little more, I can’t do this.” And the President at that point says, “You know, Newt, I can’t do what you want me to do. I do not believe it’s right for the country. I may lose the election by virtue of not being able to resolve this, but I just don’t think this is right for the country.” I think it was at that point that Gingrich suddenly realized this guy was not going to cave in.

For those of us who always were concerned that the President might cave in, it was a reassuring moment that the President gets it, that there is a point where you’ve got to draw a line.

**Gilmour:** I think a number of the Republican leaders really thought that Clinton had no spine and under pressure would just cave.

**Panetta:** To be truthful, I think Dick Morris fed that to them. Don’t forget, Dick Morris was not just working for Bill Clinton, he was working for Trent Lott. I used to say, “My God, we’ve got a double spy, he’s working both ends here. Anything we say here, God knows what the hell Dick Morris is telling the other side.” It was really an uncomfortable situation to have somebody working for the Republican leader at the same time he’s working for the President of the United States. I think they were getting the word from the inside and the word on the Hill was, if you push him hard enough there will be a point at which he’ll cave in.

**Gilmour:** What was it like being in the White House when the government was shut down? Did you feel tremendous pressure to do something or were you content to sit it out?
Panetta: You know, this was during the snowstorm. There was a big snowstorm, I think we’d gotten about 20 inches of snow, which was very unusual for Washington, and it was cold. It was actually an interesting atmosphere to be working in the Oval Office during the Christmas holidays. We had all this snow outside and you knew the government was shut down. What began to happen though is that the Republicans soon realized there were some programs they absolutely could not shut down.

Riley: This was at the time of the first shutdown.

Panetta: That’s right. So they had to make sure that Social Security was not affected, that veterans’ benefits were not affected, and that other important issues were exempted. But they began to make exemptions, they began to open the door. So the parks were closed and other things were closed, and departments were operating with parts down. But they started to get heat from the areas that they were closing. And as they were getting heat from some of these areas, they began to create additional exemptions as they were passing efforts at CRs.

That continued. After that Oval Office moment I talked about, it seemed like there was no way we were going to be able to cross the Rubicon here to cut a deal. Since the President made that statement, we knew it was a question of who was going to blink first. Telling the President, “The pressure is not on us, the pressure is on them. They run the House, they run the Senate.” By that time we knew that the public was putting the responsibility for what had happened here on the backs of the Republican Party. So it was just a question of saying, “Hang on.”

Gilmour: I forget how long the first shutdown went, maybe ten days or so. Then there was a negotiation that led to a CR to open it for two weeks.

Panetta: Right.

Gilmour: And there was an interesting text that everybody agreed to that the administration agreed to balance the budget in seven years using CBO budget estimates and this agreement would protect education, environment, and a few other programs.

Panetta: Right.

Gilmour: I recall that right after the government reopened, maybe you were on the Today show or something like this, or in some very public way, you explained the administration interpretation of the agreement, which was something like, “Since you can’t possibly balance the budget in seven years using CBO numbers and do all these things, the agreement is a nullity.” [Panetta laughing] Now, am I misinterpreting what you said?

Panetta: I think that’s right. Basically I said, “The reality is, yes, we’ve agreed to this, but you can’t do all these other things.” And we knew when we put the language in, because they wanted us to agree on seven years, balanced budget and we came back and said, “Yes, but we want to protect education, we want to protect Social Security, etc.” Can’t remember what the other pieces were we put in, Medicare. And the Republicans were saying, “Aha! The President has caved in and agreed to a seven-year budget agreement.” And I said, “Yes, but the reality is to do
these other things and protect it, it would be nearly impossible to get a balanced budget.” Well, then the Republicans all blew up on Capitol Hill and said, “They’re backing off of their deal and their agreement.” [laughing]

Polsby: You’re enjoying it now. Were you enjoying it then?

Panetta: I was never that concerned that ultimately if we held our line, they were going to have to cave in. The Republicans in the end could just not take the heat that they were going to take. To some extent I had to convince the President and others of that fact, because there was some nervousness about what was going to take place. But I said, “If you hang tough, if you stay in, these guys have got to fold.” I’d been through it before and I just said, “Look, it’s the reality, they cannot sustain it.”

As you may recall there was a period when I went up to Capitol Hill to see if we could negotiate an agreement. We were right at the point of shutting down the government and I said to the Republicans, I think to [John] Kasich. I said, “Why would you want to shut down the government and hurt people? The people outside are innocent, they’re not part of the political warfare that’s going on here, they’re innocent, whether it is a Social Security recipient or a veteran or what have you, they have nothing to do with this. Why would you want to hurt them?” And they said, “Because we’re fighting a bigger battle, we’re fighting—” And I said, “Yes, but I don’t understand it.”

That was one of the moments when I said, “They cannot control their right wing. They cannot control these other members.” I mean, it’s not the Bob Doles and it’s not the Bill Frenzels. These people have no control over what’s going on right now. This thing is totally in the hands of a group of members who were elected on the House side and they’re running the show. I said, “I think if we hang tough, they’ll basically kill themselves.”

Polsby: I don’t know if you’re familiar with this book Mirage, by [George] Hager and [Eric] Pianin. It details some of these budget negotiations. According to them, during the hiatus when the government was reopened, there was a series of negotiations and they were urging you to come up with a serious new proposal. According to the book you said, “Yes, I think we can come up with something,” and so there was a meeting. According to this Kasich had gotten very excited—

Panetta: Yes.

Polsby: So there was a toss as to who would go first and the Republicans won. “We elect to receive Gingrich.”

Riley: Is that a traditional negotiating engagement?

Polsby: Panetta began passing out sheets of paper bearing the White House proposal. As Kasich looked at the offer, his face went white. He turned to an aide and said, “Can you believe this? This is not a proposal, this is something you would put together in five minutes.” It seemed to me that perhaps you were following a strategy of keeping the negotiations going but not giving any
ground because you thought ultimately the Republicans were going to have to face reality and concede. Is that—

Panetta: Well, no, it was a combination of things. First of all, I did not think that Pete Domenici or Bob Dole was in charge. I didn’t even think John Kasich was in charge. People who were in charge were not going to come back and meet us halfway in terms of the proposal. Their approach, the revolutionaries’ approach, was all or nothing. If you move toward us, fine. If you don’t, we ain’t coming close to you. So until I sensed any differently that this wasn’t the case, I didn’t want to put anything on the table that would commit us. As always in negotiations once you offer something, they can say, “Okay, so now what’s next? What are you going to offer next?” So you wind up negotiating with yourself instead of having them meet you halfway. That was my fear. I didn’t think they had the room even to meet me halfway. So I was not going to give them an awful lot in that offer. That was basically it.

Gilmour: Then how did they react?

Panetta: They didn’t feel that they really had anything to give. I said, “Wait a minute.” I think there were a few things I did put on the table that I was willing to talk about. I said, “This is a negotiating session. You’re not here to accept the White House surrender. [laughing] You’re here to negotiate. I made one move, now let’s have you make the next move.”

Riley: Ball’s in their court?

Panetta: Yes.

Riley: Nothing happened.

Panetta: No, and the problem was right then, Dick Armey was there, this was a pretty large group. And it was pretty clear that that was not where we would get anything done. I viewed it as one of the staging events that would have to take place on the course toward a shutdown.

Gilmour: So the second shutdown began when Congress adjourned for the Christmas holiday without passing a new CR.

Panetta: Right.

Gilmour: Was that a surprise? Had you expected them to pass some kind of a CR?

Panetta: Yes. I thought they would not go away—It’s a little like what happened on unemployment compensation. I thought they would not have a shutdown take place during the Christmas holiday. That seemed politically not too smart. I thought they would at least give themselves some room past the holiday time.

Gilmour: It seems you were playing like you had a very strong hand. Was the House pretty unified in this?
Panetta: I always believed we had a strong hand. That was not always the case. There were some who were very nervous about whether we had a strong hand, some of the political people. And Morris and even the President himself sometimes were concerned about whether we had the strongest hand. Because, again, the President felt, Look, Newt Gingrich is not totally nuts. I know I could deal with him. And I think the President was getting feedback from Dick Morris, coming back the other way. Just like the Republicans were getting feedback that ultimately the President would cave, I think the President was getting feedback from Dick Morris that if you push it enough, ultimately Newt Gingrich would cave and you’d be able to cut a deal.

So I think they were both getting the message. Both sides were waiting for the other to cave. I was always operating on the basis that we didn’t have to cave, because the total pressure was on the Republicans. The big question in my mind at the beginning was, does the President get blamed or do the Republicans get blamed? Because the President has to veto the CR. If he does, does he get blamed or do they get blamed? And what was very clear was that they were getting blamed. When that was clear, we could sit back and watch.

Riley: But they had basically made that—

Panetta: The pot boil.

Riley: They had basically made that situation by the threats to begin. It was difficult for them to escape the blame when they had said all along, “We will do this.”

Panetta: That’s right, they had said, “We will do this. We’ll shut down the federal government if it takes that to force this President to do what’s right.” So the real question was whether everybody could hang in long enough to let it happen.

Riley: Were there any other sectors within the White House that were getting more nervous than others?

Panetta: Well, the economic team side, Bob Rubin, that side of it basically thought that this was the right thing to do, we were in the right place. I think Morris was concerned, so the political side—Although Ickes, I think, always thought that this was the right place to be.

Riley: The Vice President?

Panetta: The Vice President, I think—

Riley: Pretty much totally on board with it.

Panetta: The Vice President was trying to listen to the President and he was the one who urged, “Okay, let’s present the next offer.”

Riley: Sure.
Panetta: Most people were okay. I don’t remember panic, saying, “Oh, my God, this thing’s getting—” The only sense of concern was who would be hurt and what would this do to the economy.

Riley: So did this wrap around to the beginning of the new year or—

Panetta: It goes through the new year. And then I think what happens is the pressure starts to really come down, and Bob Dole grabs hold of it and finally does take charge and he says, “We have got to pass a CR that doesn’t make all these little exceptions.”

Riley: But I take it Dole was not in a position to have done that until—

Panetta: I think that’s right.

Riley: The revolutionaries had been—

Panetta: Exactly, exposed.

Riley: Beaten.

Panetta: I think that’s right. I think Bob Dole had to give them the room to crash before he had the room to go back and say, “You know, let’s wise up and do the right thing.”

Riley: And Domenici was in the Dole camp on this.

Gilmour: Even some House Republicans who you don’t normally think of as crazies were acting pretty determined. I think right before the second shutdown Bob Livingston took the floor and pounded his fist and said, “We will never, never, never give in,” or something along those lines. And I don’t think of him as one of the wild men of the Republican Party.

Panetta: I think at that point guys like Livingston and other people are thinking about what the next step is. I mean, they’ve got—

Polsby: Getting sick of Newt—

Panetta: Yes, they’re concerned about Newt, he’s probably beginning to get a little shaky, and I think there’s a recognition that at least the center of gravity in terms of the Republican Party may indeed rest with these newer men.

Polsby: Look, at that stage of the game Bob Livingston is about to send a letter to Newt asking him to please climb out of the appropriations process. Things start moving at an accelerating rate at that point. The next thing that happens is they decide, nine or ten of them, these people you speak of as holding the center of gravity say that they will not vote at all for Speaker in the 108th Congress.

Panetta: Yes, that’s right.
**Gilmour:** That’s a couple of years down the road, after the time of the ’98 election.

**Panetta:** That’s right. But I think they begin to sense where the base is for the future. And, you know, I think they were all prostrate at that point. My sense is that the Ralph Regulas and the Bill Youngs of the world knew where this thing ultimately had to wind up, but they were standing back the way Bob Dole was standing back and just saying—

**Polsby:** Well, they’re still getting nowhere. Bill Young has just now—am I not right?—got the Appropriations Committee?

**Panetta:** No, he’s got the Appropriations Committee.

**Polsby:** But he just now got it. They reached around him to take Livingston, and they’re still avoiding Regula.

**Panetta:** That’s right. Guys like Jerry Lewis and Ralph Regula are in a different world up there, but the way they survive is by doing their own thing and staying low key and never taking on the Tom DeLays of the world. That’s how they survive.

**Riley:** Moving on, because we’ve only got another half an hour left, did your role as Chief of Staff appreciably change in 1996 with the advent of the campaign season? How are you managing—

**Panetta:** There is a moment in time, and I can’t recall exactly where it takes place, but Morris is beginning not only to poll but to identify issues that the President ought to be involved with. Then Morris starts to go to the White House staff and say, “I need this” and “I need that.” And I get word of that and I say, “That can’t happen. Dick Morris doesn’t run the staff, I run the staff.”

**Polsby:** Who do you say it to?

**Panetta:** I go to the President of the United States.

**Polsby:** Okay.

**Panetta:** I went to the President and I said, “Look, this cannot happen. We’ve organized the staff, they’re responsive now, they’re doing the work they have to do. I cannot have Dick Morris suddenly going in and telling staff members what to do. That’s not his job. He may know politics, but he can’t run the staff. I cannot, I will not stand for that.” And the President says, “No, you’re right. I’ll tell Morris.”

I said, “I’ll tell Morris as well, but I need to have your support.” So Morris, to his credit, backs off then. He comes through me.

**Riley:** But there is at some point a formal campaign apparatus set up.
**Panetta:** Yes.

**Riley:** I recognize that there are legal barriers drawn between what you can do as a government employee—

**Panetta:** Right.

**Riley:** But there is also a sense that somehow or another, there has to be a nexus between this ongoing campaign operation, which requires the President’s time, and the ongoing operations of the President. I’m wondering where you fit into that as White House Chief of Staff.

**Panetta:** Well, I always viewed my job as the job of helping the President of the United States run the country, do the things he has to do as President of the United States. Harold Ickes became the liaison in terms of dealing with the political side. I didn’t want to play that role, largely because I had never run a national campaign, never been involved in a national campaign and Ickes had. And Ickes was involved with political operations but also had my trust. Harold and I got along very well. He would tell me if something was going awry.

So Harold largely picked up, as Deputy Chief of Staff, being liaison to the political operation, the formal campaign operation. I kept counsel in the loop to make sure that—There were meetings, as I’m sure you know, once a week in the White House—

**Riley:** Wednesday nights.

**Panetta:** Yes, and we would sit down, go through the polling, talk about issues, talk about the campaign and talk about television ads and all that stuff, and that went on there. But I largely tried to keep the White House separated in terms of working on issues. If the President was going to do an address on, for example, providing additional student loans, or trying to provide additional assistance to guarantee education for two years of college, getting that done was our role as support team for the President.

Oftentimes Morris would come up with ideas that by the time you shut them down, they simply would not work. And I wanted to protect the President on that basis, to say, “You just can’t go out there, you’ve got to get through our process, each of these policy ideas.” To the President’s credit, he gave us the room to do that and to be able to do that well.

So in the end, we developed the political side and obviously the President did political events, but we were able largely to keep the staff working as if we were working with the issues that the President needed to deal with.

**Riley:** Any surprises in ’96 with the election? Bob Dole was somebody you’d known for a long time.

**Panetta:** No. What surprises me, and it is the problem of the Republican Party by that stage, is that Bob Dole just assumes that—I could see at the time we were doing the negotiations that he could not afford to isolate the Newt Gingrich wing of the party. He had to build that base in order
to get through the primaries. By virtue of doing that I think he may have gotten trapped a little like Al Gore got trapped. The real Bob Dole, knowing what he was and what he represented, really got distorted, I thought, in the campaign. Because in my experience, he’s a very good guy who has a pretty good sense of politics, is a pretty pragmatic politician and really has a good sense of humor and a good sense of what’s important to the country. And somehow that got lost. I think it began to come through maybe in the last few days of the campaign, but generally the sense was that this guy was generally out of touch. He never was able to compete with the President in terms of—What happened was that there was a deliberate campaign strategy to tie Bob Dole to Newt Gingrich. And as you recall, every ad that came out from the party basically used the picture of Bob Dole and Newt Gingrich together, because by that time Gingrich had really been destroyed.

**Riley:** We haven’t really addressed the scandals question, and of course most of those come in full flower after you departed. Did you have any sense before you left that something was not quite right?

**Panetta:** What had concerned me during the time I had been there was that—Whitewater came through, then this other stuff came through, then Paula Jones came through. The nature of it was that some of these issues continued to be resurrected, and admittedly the Republicans jumped on a lot of these issues and pounded away at them.

I always had the sense that they were issues that could be controlled, but nevertheless they always seemed to lead someplace else. They developed a life of their own. But at the time when I was coming to the end of my Chief of Staff’s job, particularly after the election, I thought the President had a real opportunity to get beyond all that, none of these were really going anyplace. Yes, they had a special counsel, but I didn’t see anything really—But it was pretty clear that that shadow would continue to haunt it. But I never thought, based on what I saw, that there was enough there to blow up the administration.

As far as the situation with [Monica] Lewinsky, as you may recall, during one of the shutdowns we had brought her over. She was an intern and had come over to answer phone calls. At that time somebody said the President had eyed her. But it was no different than anything else—

**Riley:** Sure.

**Panetta:** The President always had an eye for attractive women. But nothing had developed out of that, and there was a point at which somebody said that she was hanging around. And I went to my deputy, who at that time was Evelyn Lieberman, a great woman who actually had worked in the press site. She became the Deputy for Personnel and Scheduling. Evelyn Lieberman came to me and said, “She’s hanging around, we need to…” I said, “Get rid of her.” And she said, “Yes, we will, we’ve got to get rid of her. She’s just hanging around and it’s a nuisance.” So she was moved over, I think, to Defense at that point.

But I honestly believed I was dealing with a President who more than anything relished the office of the Presidency. I’ve never seen someone who was so immersed in the job of being President of the United States. Almost to the point where I would urge him, “Can you go up to
Camp David, can you take some time to get the hell out of this job?” Just take a little time to get away from it, because he was so immersed in it. This was a guy who read every memo that came to him, every memo. I mean, I got back a stack of memos with little handwritings on them where he read through all of these things that came through from whatever Secretary was writing him, whatever was going through, national security stuff, he read all of it. He made remarks on all of it.

He loved the events of the Presidency. He loved going out and doing the campaigning. Weekends, weeknights, through the night. We’d go on a campaign trip to Los Angeles, he would do five events and after the last event he’d want to go to a Mexican restaurant, late at night, and then jump on the airplane and fly back all night to Washington and play hearts going back to Washington.

This is the kind of guy who was just totally immersed in the Presidency. We all knew the background, the Governorship and what came out during the campaign. But I was always convinced that he cared too much for the Presidency to do that.

**Polsby:** Let me ask this question, because it’s a question I’ve asked members of the Washington press corps, and it really puzzles me and I’d love to get your answer. Why were they so far down on him?

**Panetta:** Who?

**Polsby:** The Washington press corps, and particularly those members of the press corps who under ordinary circumstances were much more interested in substance of the kind President Clinton delivered fairly regularly. I’m asking you not so much as a Chief of Staff, but as a guy who has watched Washington for a long time.

**Panetta:** I think one of the real problems was that the press never felt that what you heard and what you saw were really what you were getting.

**Gilmour:** Really.

**Panetta:** Yes, I think they felt that Clinton was always pretty good and pretty shrewd at dealing with every audience and every group. And they felt that he was manipulating them and manipulating the rest of the—

**Polsby:** That’s fascinating. I once asked a political scientist in Arkansas, “Why has he got such bitter enemies in Arkansas?” Hal Bass, absolutely top-notch political scientist, I said, “Hal, what’s going on there?” He said, “They think he’s laughing at them.” And you give basically the same answer.

**Panetta:** I think the difference is—Even with Bush, the reason they treat him as well as they do, a guy whom probably they should be a hell of a lot more critical about in terms of what he’s doing, a lot that’s going for this guy is that when he talks to them, they get a sense that that’s really what he’s about. I think they always thought when Clinton was talking to them that yes, he
was being nice to them and he was talking to them, but he was basically manipulating them. They never really felt he was being as forthcoming as they wanted. I think that was the read of the Washington press.

Riley: Were you at all consulted during the second term when the impeachment stuff came down the pipeline?

Panetta: A little. Erskine called me and then [John] Podesta called me to get a sense. I remember I was part of a group of phone calls in which they would try to analyze what position the President had to take on an issue. I think my position from the beginning on that was, get it out, get it done, move on. I took him at his word, and I honestly believed that there couldn’t be anything there, again because of the reasons I told you. But you knew that something smelled by virtue of the fact that she had been bouncing around. So he had to explain that relationship. What was the reason she was doing it? We never got there, we never got that explanation. When there continued to be that failure to explain what the relationship was—

Polsby: Now that you know the truth, would you still have recommended that he tell the truth?

Panetta: Yes.

Polsby: That’s the authentic Washington answer. Anybody outside of Washington would have said, “Hell, no.” But in Washington they say you’ve got to—

Riley: There’s a division on this, and I’ve heard Bob Woodward speak at a Miller Center event at which he made exactly the same argument, that the President should have come out. As recently as a week ago there was, I guess because of the timing, all of this broke in January of that year. It was the fifth anniversary or something like that, and one of these talk shows was showing the prediction what should happen, Bob Novak and—

Polsby: Some other harbinger of good news—

Riley: Mark Shields—

Polsby: Ah, yes.

Riley: Both said the President did exactly what he should have done if he wanted to survive, that if he had come out and been forthcoming the first week or two, it would have been political suicide. And I lived in Washington at the time and that’s the position I took. I understand from an ethical perspective why there is some virtue in that, but I also, having been in D.C. and seen the reaction when the press accounts—

Polsby: Well, the general proposition that Washingtonians operate under goes this way: it isn’t the deed that hurts you, it’s the cover-up.

Riley: Right, yes. And I think in those days that was not correct.
Polsby: There have to be some deeds that are worse than the cover-up.

Panetta: I guess, who knows?

Riley: Well, this is your oral history, not ours—

Panetta: I just think that if he had said what had happened and apologized to the country, yes, there would have been some pressure at that time, but I don’t think it would have ever led to impeachment because he would never have gone through what he did with the special counsel. Because essentially, the reason the impeachment took place was because of—

Polsby: The cover-up. I forgot, that’s true.

Panetta: So that would have been the trade-off here. Could he have withstood whatever pressure initially would have come forward to move him out of office, for admitting what had taken place versus this very drawn-out effort? Admitting that might have given him the opportunity to move on. Whereas this remained a cloud over a good part of his second term, and the fact that he went through impeachment and the actual impeachment trial will always remain a cloud over the administration.

Riley: I think so. That said, take a couple of minutes and tell us what historians ought to look at on the plus side of the ledger.

Panetta: Well, I think this is a tale of two Presidencies. One is a President who really did provide strong leadership for the country in both foreign affairs and domestic affairs. I always think that the centerpiece—and I try to be objective about this—but I think the centerpiece is what he did on the economy and on the economic plan, because I think that really did take leadership to do that and he was willing to do it, knowing all of the risks involved. I think it led, in part, to a nine-year period of the strongest economy in the history of this country.

But in addition to that, obviously, his achievements in terms of trade, of domestic policy on education, establishing AmeriCorps, and beginning the process of the healthcare debate, which I think was essential, whatever feelings you have about whether their proposal was the right one, it certainly began a debate that was important for this country. His environmental record is probably comparable to Teddy Roosevelt’s in terms of the steps he took to try to protect our environment. On foreign affairs he did take on a lot of issues. He preserved the peace and he did it in a way that established the United States as a world leader. And he certainly had the ability to deal with our allies and to get them to support what he was trying to do. He certainly made every effort to try and promote peace in the Middle East, which is essential.

When you look at his record as President, what he tried to do for the country, the fact is that this country really did understand that yes, there is a role for government. We’ve gone beyond that, it seems to me. Even with the Bush administration, they are not arguing that we ought to do away with government. He can say what he wants, but he isn’t using the Reagan argument. We’ve established the credibility of the federal government having a role to play in our society, and I think Clinton deserves a lot of credit for having done that.
Having said all of that, I think the moral failings will always be a shadow over the administration as well. There will always be a reference to what took place.

**Riley:** What about the legacy with the Democratic Party? That’s a complicated question and I’m wondering what your perception—

**Panetta:** I think he took the Democratic Party into the 21st century. The party was always struggling with how you come out of the New Deal, Great Society Democratic heritage and become able to reposition the party moving into a new century? I think what Clinton did is very effectively moved the Democratic Party to the center and did it in a way that was not offensive to what the Democratic Party is all about.

Taking on fiscal discipline, taking on the need to establish a solid record on the economy, taking on issues like trade and crime and putting cops in the street. Taking on issues even like reinventing government. Those are not issues that are anathema to what Democrats are about. He wasn’t trying to say Democrats have to engage in a whole new philosophy. No, he was saying what Democrats are talking about on education and healthcare and the environment and all of these issues that deal with people is the right thing to do. But the only way you’re going to do it is if in fact you broaden the base of the Democratic Party so that it can accomplish it by saying to the working family and the middle-class family, “Listen, we’re not a party that’s going to take you off the edge, we’re a party that’s basically going to get it done because we care about you and we care about what working families are all about.” His ability to reposition the party is what gave it some strength.

Now, the real question is, can Democrats build on that legacy for the future, or do Democrats revert to the policies of simply moving to the left? I think that’s going to be a real test for the Democratic Party in these next few years. You will only be able to determine whether Bill Clinton was successful in repositioning the party based on what Democrats do from here on out. If they’re able to build on what Bill Clinton did, I think he will have established a much longer legacy. If, on the other hand, we’re going through a roller coaster ride here, then I think what he did was probably right but it will not be a lesson that will be long lasting.

**Polsby:** Thank you.

**Gilmour:** I’m done.

**Panetta:** Okay.

**Riley:** Leon Panetta, we’re deeply grateful for your taking the time.

**Panetta:** Well, I hope this has been helpful.

**Riley:** It’s fascinating, and I can assure you that readers many years down the road will be happy that you took the time to do this.
**Panetta:** I’m glad you’re doing this. It takes a lot of time and I know it’s probably tough to have to sit and go through all of this, but I do think that for the future of history it is important. Were it not for the John Adams letters, there would have been no John Adams book.

**Riley:** It’s a little bit like Br’er Rabbit saying, “Don’t throw me in the briar patch.” This is an awful lot of fun to do.