Riley: Once again, we’re grateful for your time. We know you’re extremely busy. The first thing that we typically do is a quick voice identification so that the transcriptionist will know who’s talking at any given time. I’m Russell Riley, the project leader for the Clinton Presidential History Project.


Young: I’m Jim Young. I direct the Presidential Oral History Program at the Miller Center.

Altman: This is Roger Altman.

Riley: Can you tell us how you first got to know Bill Clinton?

Altman: I first met Bill Clinton in college. I attended Georgetown University and I was a year ahead of him. I was the class of 1967 and he was the class of 1968. We were both quite active in student government. I ran for president of the student body in the spring of my junior year, and he did the same in the spring of his junior year, which was one year following mine. He helped me in my efforts and then a year later I helped him in his. So we were not classmates, and we were not “buddies” in that sense, but we knew each other pretty well by standards of students who were not in the same year.

Riley: You were both involved then in student government. You don’t recall the specific occasion when you first met him?

Altman: No, I don’t remember the actual moment when we met.

Riley: Do you remember your impressions of Clinton as an undergraduate?

Altman: Yes, Clinton was gregarious, obviously bright. I did have the impression from the beginning that he was politically gifted and ambitious. Those characteristics I thought were rather evident upon meeting him just a few times.

Riley: I recall reading in one account that Clinton had worked on a kind of unusual cluster of issues as a candidate for student body president at the time. Does that resonate with you? Do you
have any recollections of seeing anything different in him as a candidate at that point for that position?

Altman: I honestly don’t.

Young: What was his platform, if he had one?

Altman: I can’t recall my own platform, and as a result I really can’t recall his. I have to confess it was the spring of my senior year and I was paying a little more attention to girls and golf than I was to the normal ebb and flow of events on the campus.

Young: But the student radical movement had not penetrated?

Altman: In fact, that’s an important point. Georgetown was not a hotbed of political activism. Nineteen sixty-seven to sixty-eight, of course, were peak years in terms of the Vietnam War and antiwar activism, but Georgetown was not at all in the center of that. For example, a year later, the fall following my graduation, I attended the University of Chicago, which was perhaps more than any other university, except the University of Wisconsin, the center of SDS [Students for a Democratic Society] activity. The contrast between Chicago, which was in an uproar at the time, and Georgetown couldn’t have been more vivid. Georgetown was the equivalent of a placid, slow-moving river and Chicago was the equivalent of a roaring torrent.

Riley: To what do you attribute that?

Altman: The type of student attending each school at the time. Georgetown was a semi-serious school. It’s improved a lot since then, now become of course one of the leading universities in the country, but it was not at that time, in fairness. Chicago, of course, always has been, and they attracted very different students. A lot of kids who went to Georgetown were interested in having a good time, and most people who went to Chicago were really serious about their academic pursuits and the world around them.

Riley: I taught at Georgetown for a little while, and the distinguishing features of the students that I would have had ten or twelve years ago were that they had a high degree of interest in national and international politics. A lot of people wanted to work on Capitol Hill or think tanks or with interest groups. Was that true of Georgetown at the time that you were there?

Altman: No, it was not at all. There was very little interest in that. Remember, I was there during the 1963-67 period. It pains me to recognize that that’s 35 years ago, but no, it wasn’t the case.

Riley: So you wouldn’t have had any involvement on Capitol Hill or anything like that at the time?

Altman: No, I did not. I was politically active, though. I ran three times for student office while I was there. I was elected twice vice president of my class. I was defeated in my effort to become student body president, as, interestingly, was Clinton. He lost that election. I’d actually been politically active in high school, but my political involvements didn’t extend beyond the campus.
Riley: Clinton had in fact been working on Capitol Hill during this time and I guess I was just trying to get a sense about whether that was unusual—

Altman: It was.

Riley: Did you keep up with him when your paths parted?

Altman: No, I had very little contact with Mr. Clinton for roughly 20 years after leaving. I went to Wall Street after the University of Chicago, and then after seven years on Wall Street, I went into the [Jimmy] Carter administration as Assistant Secretary of the Treasury. But I don’t recall encountering him at all. I mean, not one encounter, until the early to mid ’80s when I was quite involved in various aspects of the Democratic Party and there were a few forums at various places that I would attend and I would occasionally run into him. But it was really episodic, it wasn’t regular.

He’d be speaking someplace and I’d be playing some role at the same conference at one of the usual conference locations, and we would briefly renew the acquaintance, but I did not stay, in any organized way, in touch with him.

Young: When did the organized attention begin?

Altman: I was on the board of the Children’s Television Workshop, now called the Sesame Workshop, the entity that produces Sesame Street and related children’s programming. Some time around 1989 or so, Hillary Clinton went on the board. I don’t think I’d ever met her, but we were serving on the same board together and we became acquainted and occasionally talked about getting together some way or other. Mr. Clinton became aware of that.

But really, not until the spring of 1991 when I began to hear rumblings that he was thinking of running. I’d become a pretty active Democrat in New York, particularly active by standards of Wall Street, which still had relatively few visible Democrats in its midst. I, and quite a few other people, had dinner with him, quite a few meaning 15 or so.

In the spring of 1991, I think it would have been May or June, we had the chance to have a talk here in New York, and I then talked to him by phone. I called him and said I’d be interested in helping him in some form if there was a way to do that, and then one thing let to another and I got involved, not long thereafter, in his campaign, both from a fundraising point of view and from the point of view of economic policy and issue development.

Young: Who was the New York group that helped him with fundraising and maybe also with policy? I’m not sure.

Altman: Of course that depends on the moment in question. But let’s talk for a moment about the end of 1991. It wasn’t particularly formed before then. I was onboard before then, but at the end of 1991 it would have been Bob Rubin, Ken Brody, me, Stan Shuman. Even at the end of ’91 it was small and relatively unformed.
Young: Was Bernard Nussbaum involved in the financing in this early period?

Altman: I think so, yes. In fact, Bernard and his late partner, George Katz, were both involved. If I search my memory or some dusty file somewhere, I could probably come up with more names, but it was not a huge group.

Riley: Was this a group of people that you primarily put together, or is it bits and pieces of people that the Clintons had known—

Altman: Mostly the latter. It began to get organized at the end of ’91. We began to have fundraisers toward the end of ’91. I recall a large event, right after New Year’s, the fourth of January I believe, in ’92, that I organized at their request, which was just simply to have a large number of people listen to Clinton give a speech. No admission fee, no contribution required. Then we ended up for some strange set of reasons having a giant turnout and he wowed them. We had a couple hundred people there.

Riley: Where was this held?

Altman: The Regency Hotel. And it was very effective because a lot of the people who came were opinion makers and he made a tremendous impression. I can recall David Halberstam on the way out saying to me that he never heard a politician as effective as Clinton since JFK [John Fitzgerald Kennedy]. I just remember that being contemporaneous with the real beginning of an organized effort here.

Young: He was quite an unknown in New York, wasn’t he, until he came, appeared, and talked?

Altman: That’s true, yes. But it’s interesting to put it into perspective. Here we are in June 2003 and the election as we all know is November ’04, so it’s 16 months or so before the election, 17 months, and right now of course, the campaign among the Democratic aspirants for the nomination is hot, full-bore, and has been for several months. So in June ’91 it wasn’t completely unknown, it wasn’t below the radar screen, but there was always a group of people who were political junkies and so forth, and I’m certainly in that group, who were following it, just like there’s a large number of people that are following it today, 17 months beforehand. So it wasn’t invisible.

Riley: How difficult was it to do what you were doing in an environment where Mario Cuomo was sort of floating around trying to figure out—

Altman: It wasn’t difficult at all because Cuomo was a polarizing figure. People who liked Cuomo liked him a lot; people who didn’t like him didn’t like him at all, and it was about half-and-half. It wasn’t difficult.

Riley: So most of what you were doing was drawing from the people who would not have been supportive of Cuomo in any event.
Altman: Yes, and also there was considerable uncertainty as to whether Cuomo was indeed a candidate, which, as we all know, he proved not to be.

Riley: How difficult was it to raise money in the environment, Cuomo aside, just for somebody who had been a Governor of Arkansas in a campaign season when there’s—

Altman: Well, it was difficult in the beginning. I guess I probably began to help raise money, it’s a rough memory now, in the early fall, perhaps September of ’91. It was the usual degree of difficulty that early, not really greater because he was from Arkansas. I mean, I’m raising some money now for one of the other candidates and the degree of difficulty today as compared to at the same point ’91 wasn’t any greater.

The buzz on Clinton, even then, among those few following it, was positive. Then once he started to make the rounds in New York, he generated very considerable positive reaction and became self-fulfilling, and raising money for him became quite a bit easier. Also, we’d had 12 years of Republican rule and there was a widespread sense of time for change.

Burtless: You had made your choice to support him before it was clear that he was going to wow a lot of people in New York. So the question naturally arises, was it his economics? Was it his personality? Or was it just that you were persuaded that he was going to be a great candidate?

Altman: It wasn’t any of those. I long ago decided that trying to figure out how these election contests are going to ultimately resolve themselves is impossible; so I just recalled fondly the time we’d known each other back more then 20 years earlier, I liked him, and in my case it was as simple as that. I did not have a crystal ball to the effect that he was going to make it and that the dominos were somehow going to fall in a certain way that enabled him to do so. I liked him and we had a certain history together, and I was strongly of the view that it was time to get the Republican Party out of the White House after 12 years.

Riley: Was that equally true of the colleagues that you were making sales to with Clinton? Was it his personality that won, or was he able to—?

Altman: I think everybody has a different calculation. For some people the idea was, a southern Governor almost by definition has a better chance than a lot of other candidates. After all, there’d been only two Democratic Presidents in the last 25 or 30 years and they’d both been southern Governors. For other people it was Clinton’s legendary one-on-one prowess and his effectiveness in small groups, but I don’t think there’s any one reason why this person or that. I think each person makes his or her own decision.

Riley: Was there anything particular in his record in Arkansas that became sticking points with people in the community that you were attempting to raise money from?

Altman: In general, no. Clinton had plied the waters of the Democratic Party with great assiduousness for many, many years. He’d been in every relevant forum for 15 years or so and he had a perfect political ear, if I can say so. He knew the rhythm, so to speak, of the Democratic Party, including in New York.
Riley: You’d worked in a couple of campaigns before this one, or you’d been involved in campaigns.

Altman: Yes.

Riley: Were there things about those campaigns that you had learned in preparation for this one that proved to be particularly helpful? Was there anything that particularly distinguished this campaign from what you’d seen in these other instances that’s noteworthy?

Altman: Primarily I had learned what doesn’t work, and I had learned a couple of things—you can tell, I think, when you’re exposed to a candidate enough times, whether he’s going to work out there as a “retail politician,” as they say, an “outdoor politician,” and when he isn’t. You see a lot of candidates you know aren’t going to work that way.

Second of all, I am not a classic liberal, so I’ve thought for 20 or 25 years that classic ’60s liberalism was the wrong way to go. I think it’s wrong from a policy point of view. I also think it is wrong politically. So the traditional Democratic field has had in it a few candidates who represent that. Today you have Governor [Howard] Dean, Congressman [Dick] Gephardt, for instance. I’ve never either been attracted to that approach nor felt that it was an effective one. I also learned that when I saw that, it wasn’t likely to ultimately succeed. That approach hasn’t been able to capture a majority of the American public for 40 years and I don’t think it’s going to capture the majority of the American public for another 40 years. It’s mostly things I learned that don’t work.

Then Clinton, as I mentioned, this one big event in January of ’92—Clinton was great on his feet. There’s one thing about Clinton that I think is beyond debate, that he’s a fabulous politician.

Riley: You said earlier you were involved raising some money, but also providing some advice and guidance on economic policy. We talked a little bit about the fundraising elements. Can you tell us a little bit about the second role?

Altman: You may remember that Clinton put forward a white paper, if I can call it that, called “Putting People First,” which came out I believe at the end of 1991. My memory is a bit fuzzy on that. I got involved in certain aspects of preparing it, editing it, fine-tuning it, I recall that. Then I would have discussions with Clinton, usually on the fly, about certain economic issues I thought were important. He was clearly learning as he went.

So it was a combination of an organized role. There was no committee per se but he had a few people who were involved at that point and doing something like looking at “Putting People First” and editing it, and then just these periodic conversations we would have on the fly.

Young: Was there a group of people who were helping him on the policy side respective to economics?

Altman: Yes.
Young: During the preparation would you call that an organized group?

Altman: In 1991 it was not organized. It was a mixture of people and some of the names I recall of course were George Stephanopoulos and Gene Sperling, Bob Rubin, Bob Reich, Rob Shapiro, myself. But it was a rather fluid, floating group. It got more organized as ’92 unfolded.

Riley: Could you see at that point a set of priorities emerging with the candidate? Did he come to you with an idea about what he wanted to focus on with the economy or some of his primary domestic policies, or was this at this point still in the process of being formulated?

Altman: If we’re talking about 1991, I think his ideas were in formation. I recall, for example, a discussion at that very original dinner in the spring of 1991 and a rather focused discussion on economic policy, and particularly about deficit reduction. I think it was obvious to Clinton that there were several serious people there in New York whose support he wanted to get who felt strongly about what I would call a centrist economic policy, perhaps right of center economic policy. I think those discussions, including that particular one, in retrospect, had a considerable effect on him.

Riley: You’ve already mentioned the people who were attending that particular meeting.

Altman: No, there were 20-22 people there. I can’t remember all—Tom Brokaw was there, Davis Weinstock, Dick Beatty, Bob Rubin, George Katz, and/or Bernie Nussbaum were there. I believe Stan Shuman was there.

Young: And deficit reduction was his top priority, a focus at the top?

Altman: No, first of all, it wasn’t his focus. No, what I’m trying to say is that there were several points of view advanced by some of the people there, who had, in one form or another, policy experience. One of the themes they advanced was deficit reduction, not the only one. My point is, I thought the whole discussion had a considerable impact on Clinton, as did scores of others along the way after that. I think his views at that point were in formation.

Burtless: As I recall the campaign of 1992, there were lots of policy debates amongst the Democrats. Then when Ross Perot entered—deficit reduction was a theme of the [Paul] Tsongas campaign if I remember correctly; then later Ross Perot, entitlement reform, whatever that might mean; free trade and issues of economic relations with Japan; and I think one of the candidates—[Bob] Kerrey?—had a health insurance plank, is that right?

As I recall, the distinctive thing about Clinton, if everyone had one courageous stand, his was on free trade. I mean, he seemed to be quite consistent about that, even though the rest of the field was, as I recall, quite a bit more protectionist.

Altman: That’s not particularly my recollection, no. First of all, one has to put it into broad context, including that a number of the more established would-be candidates, if I can put it that way, chose not to run, led by Cuomo, but there were others.

Altman: And the field against which Clinton ultimately competed was not a strong field. He did a version of what Carter did earlier, which was end up positioned to the right of most of his opponents in the Democratic primaries. That has historically been, or at least in the modern era, a successful approach. People forget that, even today. You see people scrambling to monopolize the left. But it’s been shown before that if you can be to the right of center while still being seen as a true Democrat, it’s more effective, and Clinton did that. It wasn’t trade; trade was not a big issue in the campaign. No. I would say it had to do with an overall perception that he was the most substantive and the best politician.

If you think about it in the context of today, we’ll see how the primary campaign plays out, but it will be unusual if differences on issues were the decisive factor. I doubt that you’ll see that. It will be differences of style, differences of perception. A certain candidate or two will be perceived as the heavyweights in the field, and that’s an amorphous thing, but you become anointed that way by the media, and if you have the right set of political skills you can capitalize on it. It’s rare that an issue divides the Democrats. I mean, they’re all just issuing healthcare plans right now and there are some important differences among them, but 99 percent of the primary voters will not know those differences. I follow it pretty closely, and I have a hard time figuring it out.

So is there a lot of policy difference today between the nine candidates running for the Democratic nomination in June 2003? No. Will policy differences be the reason that candidate X or candidate Y emerges with the nomination? Not likely, and was not the case in ’92.

Burtless: Well, I’m not actually trying to establish whether these were particularly important in the campaign. What I’m interested in is when the man who was elected to the Presidency decided on his course of action in some of these policy areas. Certainly on free trade you would say that there was a consistency in his rhetoric during the campaign and the behavior of the administration after he was elected. But with regard to deficit reduction—

Altman: I wouldn’t necessarily accept that. There were some enormous differences. I don’t think anybody during the campaign expected that Clinton would turn out to be the deficit hawk that he did. I mean, there are libraries full of books that have already been written about that.

Burtless: That’s precisely my point.

Altman: But there was a discontinuity between the campaign and the administration—

Burtless: In this respect exactly right. What I’m interested in is your perception of when the views that crystallized with economic policies were adopted in the first months of the administration—

Altman: My view, there’s no single answer to that at all, but if I were to list the elements of my response, the first one would be post-election. You asked me when the most important policy
development occurred and I would say there are several answers to that but number one would be post election, not pre-election.

Burtless: Was it the selection of the people who were going to do the economic—

Altman: In some measure. And also, the opportunity to finally address what the real economic situation and fiscal situation was. It’s very difficult to do that during a campaign.

Riley: Let’s hold off if we can just a couple of minutes before getting into the transition period and let me ask you a couple of questions about the campaign itself. One is that it had a very rocky beginning in New Hampshire, and I’m wondering if you have recollections about your reaction to the news events that occurred and to the electoral results in New Hampshire and how the President was able to deal with those things.

Altman: Like everybody else, I thought he was finished when the Gennifer Flowers event emerged. I can recall that we had a fundraiser. I believe it was the same night that she gave her press conference. But the reason I remember it was that it was funereal. I mean, it was just a morgue.

Riley: Here in New York?

Altman: Yes, here in New York. It was a very unusual evening, because there was a sense, as I say, we were interring the candidate. I thought he was finished.

Riley: Was there a representative of the campaign—

Altman: Clinton was here, and Mrs. Clinton. I sat next to Mrs. Clinton at dinner.

Riley: Can you tell us about that?

Altman: Well, it was just a strange evening. I believe, as I say, it was either the day of or the day after Gennifer Flowers had given her press conference. So you can imagine sitting next to Mrs. Clinton at dinner. I’m very fond of her, extremely fond of her, and it was, “Other than that, how was the play, Mrs. [Mary Todd] Lincoln?” So it was just a very unusual evening. It was a successful fundraiser. All the groundwork had been done before the storm broke, so there were probably three to four hundred people. It was a good-sized ballroom here in New York. Everyone was thinking about one thing and not expressing it. And I don’t have any different set of reactions than anyone else watching the thing at the time. He managed to remain viable through New Hampshire.

It wasn’t evident to me the day after New Hampshire that he had recovered from it. In retrospect, the idea that he finished second is seen that he had triumphed. That was not clear to me. But he was at least alive. So I don’t think my reactions to that were really any different than anybody else following the campaign.

Riley: Do you recall at what point you felt that there was some momentum being reestablished?
Altman: Well, I recall particularly how weak the field was. If I’m not mistaken, Paul Tsongas won New Hampshire?

Riley: I think you’re probably right.

Altman: I knew Paul Tsongas and he was a nice man, a good man, but he was not a good politician and I didn’t see Paul Tsongas being the nominee. I was struck from the beginning that Clinton was blessed with a very weak field, which, for example, is not the case today. It’s a strong field. So I wasn’t sure what was going to happen, but there was no one in the field that was suddenly squashing everyone else including Clinton. There just wasn’t a candidate who had the capability to do that. So he remained alive and, as we all know, recovered. Luck plays a big role in politics, and he was really lucky that a number of candidates who could have been very strong ones chose not to run.

Riley: Did you have close relations with people in Cuomo’s operation, because I think, at least in the early stages, there was still a consideration that he might come out?

Altman: Oh sure, New York is, in terms of Democratic politics, not a terribly big town. Sure, I did. But apropos of my comments earlier that classic, unreconstructed liberalism had never been my cup of tea, I never identified with Mario Cuomo. I respected him, but I never identified with him and I didn’t see him being a successful Democratic nominee. I was very pleased that he decided not to run because I thought it would just mean the Democrats might well lose again. He’d been the Governor of New York for quite some time and everyone knew Cuomo and his coterie. I did too.

Young: Did you do any traveling with Clinton on the campaign around New York or outside of New York?

Altman: I recall taking maybe one or two trips with him outside New York, mostly just for my own enjoyment, to see what it was like. Not too much, though.

Riley: Were you involved in the convention?

Altman: Yes.

Riley: In developing the convention?

Altman: I don’t know about developing the convention. I wasn’t involved in any of the delegate-related strategies, no. I don’t recall having a meaningful role at the convention. By that time we were all being treated very well by the campaign because we were seen as the guys who were there at the beginning. That’s how politics works.

Riley: Sure.

Altman: So I enjoyed the convention.
Burtless: You spent time with the candidate?

Altman: Yes. I wasn’t sitting all by myself with him, but sure, there were various opportunities to be in relatively small groups with him. I do recall some rushed discussions at the very end about what we do now and how we flesh out his policies, and I can recall talking to George Stephanopoulos the morning the convention ended about certain steps we were going to take now in terms of getting better organized on policy development and issues. I remember that vividly the day of the convention, the morning the convention ended, or maybe the morning after it ended.

Riley: Were you making recommendations to him about how you might tighten things up in this area?

Altman: Yes.

Riley: Can you tell us a little bit about those conversations, if you remember?

Altman: I wasn’t telling him anything he didn’t know, God knows, but that we were going to enter now a different phase in terms of the laser light of press scrutiny on policies and that we had to deepen the entire effort, and there was agreement on that. That process had been going on. For example, “Putting People First” was reissued, I believe in June of ’92. A fairly major effort went into that, which I was part of. So, as always happens, the policy apparatus was being built and the policy process was being deepened and becoming more sophisticated as the entire campaign evolved.

Riley: Were you helping write drafts of “Putting People First,” platform areas?

Altman: Well, when we actually re-did “Putting People First,” we went to Little Rock and worked on it for a few days.

Riley: How big a group was doing this recasting?

Altman: Maybe six or seven.

Young: This was before the election?

Altman: Yes, “Putting People First” was reissued, I believe it was June. That was before the convention. But I remember we went to Little Rock. Rob Rubin and I went together, Bob Reich was there, Gene Sperling was there, Bob Shapiro was there. There were certain others, I can’t recall now, but a group of six or eight or nine, and we literally sat around with pieces of paper and drafts and hammered it out.

Young: You referred earlier to Gary’s question that most of the decisions that Clinton made about his priorities came post-election, but the process—
**Altman:** No, I was responding to a question about economic policy. Most of what people today look back on as the early economic policy of the Clinton administration, in my view, was formulated post-election. Now a good deal of it was also formulated pre-election, but if I had to choose between the two, which period played the bigger role, the transition period or the pre-election period, I would say the transition period.

**Young:** We’re now in the pre-election period. So we’re interested in hearing about—

**Altman:** If you read “Putting People First,” first of all it was domestic policy as a whole, it was not just economic policy. That’s a very important difference, because it addressed healthcare, various items on children’s policy, crime initiatives, urban policy—the full span of domestic policy issues, of which economic policy was just one element. By that time, Clinton had his idea of the middle-class tax cut, and he had his idea of cutting the deficit in half during his first term, I think it was. So those ideas were developed during the campaign.

**Young:** As campaigns go, in my recollection, this is fairly early before even the convention that a real policy consciousness begins to develop.

**Altman:** It traces to Clinton’s legendary wonkishness—

**Young:** Yes, that was going to be my question.

**Altman:** He loved policy. I was involved in the Carter campaign in 1976 and the Mondale campaign in ’84, [Michael] Dukakis in ’88, Clinton, now I’m involved again this time, and, knowing that, I never met anyone who had the appetite for policy itself that Clinton did. He loved it.

**Young:** Were you working in Jack Watson’s group?

**Altman:** Yes.

**Young:** That was for Carter.

**Altman:** Right.

**Riley:** The “Putting People First” document, is it fair to characterize that as the menu choices that the administration was going to be making when it took office, but that there was not a great deal of attention at this point on priorities from among the elements in the menu?

**Altman:** I’d say that’s fair.

**Riley:** I raise the question because one of the outside perceptions that you get later on is when, in the early post-election period of the administration, there’s some considerable debate within the administration about which of the priorities ought to come first—

**Altman:** Yes, yes.
Riley: —and among some of the people that you mentioned in Little Rock at the time. But my guess is that those kinds of—

Altman: Let me give you an example that is appropriate to the present. Right now, again, we’re very far away from even the primaries still, let alone the general election, but right now the most active topic of discussion by the candidates by far is healthcare. Does that mean that the first initiative of the new President, should he, she, be a Democrat be healthcare? Not necessarily. You get there and then you figure out what your actual sequence of initiatives is going to be. Clinton’s very first initiative was his stimulus program. In fact, Carter’s very first initiative was his stimulus program, neither of which incidentally succeeded, both of which were dropped and failed entirely.

But in any event, what gets discussed most in the campaign historically may or may not be the first or second major initiative that comes from the new President. If you think about it, it makes lots of sense. You become President, there’s a new Congress. You sit down with the leaders of your own party in the Congress, ultimately with the entire leadership, and then you learn a little bit about the realities that you face from the legislative point of view.

Riley: Sure.

Altman: And that kind of input isn’t available during the campaign.

Riley: Can you tell us generally about your role during the general election campaign?

Altman: It was just an evolution of the prior role. I mean, by that time, the group that was advising him on economic policy had become reasonably well set.

Riley: And those would be?

Altman: Most of the people I mentioned, and I’m sure I’m forgetting a group of them, in fact, I know I am, but, I can recall getting slightly involved in debate preparation—slightly now, not deeply—attending the debates, seeing drafts of speeches before he gave them, again, not all speeches, but certain speeches, that type of role.

Riley: On the policy issues at this point are you beginning to see any kind of evolution or any kind of establishment of governing priorities, or again, is this a question that’s held off on until after the election?

Altman: As has been, as I said, so widely chronicled, the focus was on the economy because the economy was sluggish, in a recessionary state. President Bush was very vulnerable, and so Clinton was attacking on the economy and basically saying, if you remember, this rather famous line, he was going to focus like a laser on the economy. The basic point was I’ll focus on it, I’ll get it moving. My opponent is distracted by international and other matters. He’s not focusing on it, he doesn’t particularly care about it. He doesn’t even know about the advent of optical
scanners in grocery stores, and that was the theme, that was THE central theme as codified, so to speak, in [James] Carville’s famous comment, “it’s the economy, stupid.”

**Riley:** But “it’s the economy, stupid” doesn’t communicate a set of priorities within the administration about what steps they will take.

**Altman:** No, but Clinton’s clear priority was, and was going to be, steps to stimulate the economy and indeed, as soon as he took office, he submitted a package of measures which constituted his stimulus program and they rather promptly went down to defeat. [laughter]

**Young:** Maybe we ought to move to the actual setting up of these priorities and the choices made and that process, from post-election into the actual post-inauguration time.

**Riley:** Did you go to Little Rock for the election?

**Altman:** I did. I made two trips to Little Rock. One was in connection with “Putting People First,” when we had the wonderful experience of taking a cab from the Little Rock airport and having the cab driver slow down and practically come to a stop for a second, and excitedly point out to us Gennifer Flowers’ apartment building. I went also for the election.

**Riley:** Any particular memories from that successful trip?

**Altman:** I remember the very stirring tableau as you may remember, the Clintons and the Gores came out onto this beautifully lit portico and there were, it seemed, thousands of people on the street in front of them. It was very stirring. But the election result itself was anticlimactic. There was no surprise. No one thought on the morning of the election that Clinton was going to lose and Bush was going to win. But, you know, it’s history, it’s participating right there in the actual, critical moment of history, and the sense of participating is very uplifting.

**Riley:** You were out in the crowd or you were—

**Altman:** I was out in the crowd.

**Riley:** Did you stay in Little Rock for a while afterward?

**Altman:** No, I went back the next day. I stayed overnight, went back the next day. But you know, there’s a real sense of the torch passing and history, and one had to be struck, even though I’d been involved with Clinton from mid ’91, by the youth and vigor that Clinton and Gore exuded, and I’ve always personally liked the south, so I enjoyed being there, so I did go.

**Riley:** I want to ask one more question about the election because Ross Perot’s name hasn’t come up and been explored. Can you talk about Perot’s influence on the campaign? Was there a perceivable influence from your perspective on having Perot in the campaign, making the deficit an issue from his vantage point?
Altman: My comment is a retrospective comment. In other words, at the time I just didn’t take Perot seriously. I knew a lot about Perot, having been heavily involved in Wall Street for many years. I thought Perot was a flake, I think Perot is a flake, so I didn’t take him terribly seriously. Now in retrospect did his presence in the campaign serve to move the candidates a bit to the right on deficit reduction and so forth? I think it did.

Riley: There were a lot of people who did take that candidacy very seriously though, right?

Altman: I think it was serious as a political thing, meaning you had three candidates instead of two and of course, the dynamic was different. You had three candidates on the stage during the debates and so forth.

I believe Perot’s presence helped Clinton because Perot kept saying how messed up the country was, so that actually helped the challenger rather than the incumbent. I think Clinton was better served by virtue of Perot’s presence in the campaign than without it. I just never took him seriously as a candidate. Is he going to become President? No. Would I have considered moving to Switzerland if he did become President? Yes. So I didn’t take him seriously except as in a sort of inner political context.

Riley: During the transition period, you are formally involved in the transition effort. Can you tell us about that?

Altman: Well, within about two weeks of the election, certainly by the end of November, the actual transition offices were established in Washington. I went straight down to Washington and moved in, and I was there on the day the office opened, as were many other people.

Riley: You had been given a portfolio before that time?

Altman: Right around that time I was put in charge of the Treasury transition. I was the natural person to do that, having served in it before. So not long after arriving in the new offices, which were over there on Vermont Avenue, I remember that, I went over to the Treasury and met with Secretary [Nicholas] Brady and the Deputy Secretary, very nice man—name escapes me at the moment—and began to debrief the senior members of the department. I was given an office over in the Treasury. I’d actually done that precise role before, in 1976, obviously at a much different age, but I was put in charge of the Treasury transition at that time. So I knew a little bit about what was worth doing and what wasn’t. I divided my time between the transition office and the Treasury.

Riley: Can you give us a picture? You’re in such a good position to give us a comparative portrait of transitions internally. How did the second transition compare with that first one in terms of cooperativeness, in terms of being organized and—

Altman: I think there’s a wonderful tradition in American government where the outgoing administration typically does everything it can to assist the incoming one, and that was certainly true with the [Gerald] Ford administration. We had wonderful cooperation, at least in the Treasury. Secretary [William] Simon spent hours with me, which is quite odd in retrospect since
I was 32. He must have wondered what he was doing. But, no, they couldn’t have been more cooperative. That was absolutely true also of Secretary Brady and all of his people, couldn’t have been more cooperative. I think that’s a wonderful tradition. The Treasury has a wonderful history of its own and a great deal of pride suffuses those halls. So it’s also part of the Treasury tradition to do it that way. But in any event, the cooperation in both cases was optimal.

Riley: At this point you’re working on policy questions primarily? You’re working on prospective personnel issues?

Altman: The entire gamut. Definitely working on personnel. Well, let me stop. I didn’t do any work on personnel until Secretary [Lloyd] Bentsen was designated Treasury Secretary. Then he asked me to begin to work on certain personnel—present him possible choices for the senior jobs in the department. He was named the first week of December. A group of four of us were named at the same time: Bentsen, Rubin, [Leon] Panetta, and myself. We were all trotted out in Little Rock on the same day.

Riley: But you’d been doing transition work for a month—

Altman: No, no. I would say it was something like this. The election took place on the first Tuesday of November. The office on Vermont Avenue probably opened between two and three weeks thereafter, let’s say, picking a time, the 25th of November, just guessing, 20th to 25th. Bentsen was chosen during the first week of December. So there wasn’t all that much time, maybe ten days, twelve days, between opening the office, showing up down there and then having the Treasury Secretary and the rest of the members of the economic team chosen.

If you take the transition as one chunk of time, rather than chopping it up into chapters, I did a lot of work on personnel—we all did a lot of work on policy development, what was the economic policy going to be, and getting right down to very specific potential decisions. On preparing a whole set of materials and otherwise paving the way for Secretary Bentsen to walk into his office and be fully prepared to function from the first minute.

Burtless: The administration made a change in the way economic policy-making was going to be made too, and I think that choice was made during the transition to have a National Economic Council, and that would have been a great unknown given the Treasury’s historical role in economic policy-making.

Altman: Well, not really. More has been made of that than should be. Actually, each White House that I was familiar with had its own version of what we called the National Economic Council, and if you look back for example, during the Nixon and Ford administrations, they had something quite similar. During the Ford administration they had something called the Economic Policy Board I believe it was, EPB and Bill Simon as Secretary of Treasury was the head of the board and it met actually every morning in the White House. Alan Greenspan was on it; Simon was chair of it. Ford actually attended regularly, I don’t mean every day, but regularly, and it was just a version of what Clinton did.
And we had the same in the Carter administration, but it had been more junior. It was not as big a change as it was advertised to be, or has been seen historically. What was different about it was that it worked, because most of them had been somewhat dysfunctional. The only reason I think it worked was Bob Rubin, who had the skill and the temperament to make it work. But it was not a novel idea at all.

Riley: So there was not any anxiety or uncertainty within the core group of people involved in economic policy making about how this might fit in or—

Altman: There may have been, but I know I didn’t feel it. I didn’t feel it because I had a long relationship with Bob Rubin, which had been ten or 12 or 14 years, and Bentsen and Rubin had had their own long relationship and I saw no real problem with everybody relating successfully to each other. Lloyd Bentsen’s reputation preceded him and he was a master of the game as far as Washington and the legislative process and handling himself and so forth in a way that few ever have been. You didn’t have to spend a lot of time with Lloyd Bentsen to know that he wasn’t going to be shunted aside. So actually I didn’t have any concerns. I might have if I had not known Bob Rubin, but I knew him better than anybody else in the administration knew him and I had great confidence in him and knew that he and I would relate well.

Riley: Had it always been assumed that Rubin would take that position?

Altman: No.

Riley: I guess that again leads to the question about the uncertainty and anxiety of a transition period, trying to figure out which person—

Altman: But that was fairly brief, though. Clinton moved quickly. As I say, we assembled sometime between the 20th and 25th of November in Washington and then December 5th or 6th or 7th or whatever it was he made his choices. So there were a couple of weeks of high anxiety, maybe more than that, maybe everybody was in a state of anxiety between the election and yes, it wasn’t at all clear who the Secretary of Treasury would be. I personally thought Rubin was most likely to be Secretary of the Treasury.

Riley: Why didn’t that work, from your perspective?

Altman: Because Clinton very shrewdly realized the respective strengths of Bentsen and Rubin and put each in the right job. I think Clinton recognized that, by virtue of his being an outsider in Washington—he never served in Washington—he needed a link to the Congress, a really superb link, of the type that Bentsen afforded, especially since Clinton’s first priorities were economics. The Senate Finance Committee was going to be, more than any other single place, where the action was. So he chose someone who not only had a great reputation and tremendous stature, but who could particularly help him with Congress, and it was a shrewd choice.

Riley: I do hope as we proceed that you will take the time to give us your continuing perceptions of Bentsen because unfortunately he is somebody we had approached about doing an interview and—
Altman: His health is poor.

Young: He’s had a stroke.

Riley: Exactly. He is the only person who has declined because of health reasons and we won’t have the opportunity to talk with him. It is especially important then for the people who worked with him to give us reflections on his role.

Burtless: I do have one question about the National Economic Council. Certainly the appointment of someone with the stature of Rubin signaled that this was not going to be a junior level kind of a thing and it was not going to be headed by one of the usual powerful people, OMB [Office of Management and Budget] or Secretary of the Treasury. It was going to be a different kind of animal. That’s why I wonder whether there was some kind of perception, outside. You say you knew Rubin well, but did you have a sense that in the other places where economic policy-making is made there was ever any tension over this kind of an arrangement?

Altman: I’m not the best witness on that because I didn’t see it or feel it, but there may well have been. For example, much has been made of the dueling camps, the deficit hawks versus the populists. So maybe among the so-called populists there was a lot of anxiety as they saw this axis, the Bentsen-Rubin axis, develop and recognizing that both were relatively conservative. Maybe there was, I wasn’t privy to that or exposed to that.

I think as a general matter the perception, which has become the accepted wisdom, of those dueling camps, is much overstated. There were not pitched battles. There was not a war going on. Mostly because Clinton put everyone in a room, for endless hours, to the point where most people wanted to drop and everybody was sitting there around the table. It wasn’t a process where people were maneuvering furiously to see who could get the last word in to the President or something. Everybody was sitting in a room for the endless hours that have been so widely written about, which was quite a chaotic, disorganized process and not particularly Presidential process. But everybody felt such a part of it because they were sitting right there. The two camps were right there sitting in front of the President for six hours at a time.

So there was not a war of the type that has so often been written about, just not true. Were there different views? Sure. But was it a battle? No. I’ve seen Washington battles and that wasn’t one of them.

Young: Are you including in this the difference of approach between the campaign-oriented, the political people, and the policy people, as well as the differences among—

Altman: It’s not as simple as that. There were those who felt—I would put Bob Reich at the top of the list—who felt the most important thing was to do a big stimulus program involving a lot of spending initiatives. There was a camp around that view. There were those obviously who felt the most important thing was to get the deficit down. It wasn’t so much between the political people—Reich wasn’t a political person; he wasn’t a campaign operator.
It wasn’t between the political people and the policy people, it was among the policy people and involving some of the political people. But I mean, when you were sitting in the Roosevelt Room, where most of those meetings took place, all of the players were there. Stephanopoulos was there and Sperling was there. Of course Mack McLarty was there and all the—if I can call them factions—were represented. But it wasn’t political on one hand, policy on the other, just different ideologies.

Young: Was Hillary Clinton—

Altman: She wasn’t a participant in those. She may have had a lot of influence on it, but I didn’t see her.

Young: Earlier in Little Rock, was she in attendance at any of these meetings?

Altman: No, she was not.

Riley: You haven’t told us about your own appointment. When did the President—

Altman: Okay, the election occurred and, for reasons I’ve never fully understood, Alice Rivlin and I were the first two to go down to see Clinton, of those he was looking at for appointment purposes. I don’t know why we were the earliest on the list. So my wife and I flew down to Little Rock and I met with Clinton for about two hours. We talked a lot about the organization of economic policy-making and the role of the Treasury because I had a certain history. We talked for about 12 seconds about any role that I might play. He said, “What do you want to do?” and I said, “I just want to serve. I’m not going to give you a speech about why I should be Secretary of the Treasury.” I just didn’t; it wasn’t my style. We had a good discussion and I went back to the airport and flew home.

Riley: This would have been before you were in the transition office?

Altman: I can’t recall whether it proceeded.

Riley: Okay, that’s checkable.

Altman: I ran into Alice on the plane. We knew each other, but we turned out to be the first two to go down and I don’t know why that was. So I had that meeting with Clinton. He seemed very tired, I remember that. Then we had the meeting downstairs in the Governor’s mansion, in a study or a library, the same room actually we’d been meeting in on “Putting People First” a few months earlier. Then I came upstairs, Hillary was there. We had a chat; we had a nice time. I think we had a sandwich or something and I took off and went back to the airport.

Then there were other people who went down and the press was following all this. So one knew through the press who was going and so forth. Then late one afternoon, early evening I guess, 7 o’clock, in the transition office in Washington, Warren Christopher called me. He was the head of the transition together with Vernon Jordan. He said he wanted to tell me that the President had decided to appoint Bentsen to be Secretary of the Treasury and Rubin to be head of the National
Economic Council. He wanted me to go see Bentsen. I was to call Bentsen promptly. I think I called that evening. I had known him just slightly. I’m not sure he would have known me really at all. I’d met him a few times, but not ever to speak to.

Anyway, a couple of days later I flew to Austin, Texas and met him and Mrs. [Beryl Ann] Bentsen in a hotel room in Austin. We had lunch. I didn’t know what to expect. At the end of the lunch he asked me if I would serve as Deputy Secretary and I said I would. I went back to the airport in Austin, reported that to Warren Christopher, and I think we were all announced within a week.

Burtless: So he’s the one who asked you to serve in that position, not Clinton.

Altman: No because Clinton had determined, as he well should have—see, Presidents often don’t do this, or Presidents-elect, but they should—Bentsen had to be satisfied that this was something he wanted. It’s really a bad thing to say to a senior Cabinet officer, “Well, your deputy is—” We don’t want to get off on that, but that’s a very bad approach. Just promotes disunity and so forth.

So Clinton wisely determined that this was something that Bentsen ultimately had to make the call on. And Bentsen did make the call. I know Bentsen, especially in retrospect I know Bentsen. He was fully free to say “no” to that. I knew Bentsen enough by reputation to know it was not by any means all set up, so to speak, by the time I went in there. I sat there for two or three hours and he took the measure of me and at the end he said, “Would you like to do this?” I said I would and we went forward.

Riley: Had there always been a sense on your part that your likely posting in the administration would be in Treasury or—

Altman: That was the logical place because I served there before. I know this sounds a bit odd, I hadn’t thought about it a huge amount, partly because I had a full-tilt business career, and I was trying to separate the two. So my average day was spent a few blocks from here, working full-tilt on the business responsibilities I had.

I guess I figured, were I to be appointed something, it would likely be in the Treasury, and perhaps, by process of elimination, nothing else seemed logical to me.

Riley: You raised this issue with respect to the designation of sub-Cabinet officers. You indicated that the President did it right with Treasury. Do you have the perception that there were some other instances where maybe this wasn’t done?

Altman: No I don’t. I just know from prior experience that that’s the way to do it. And it’s not the right move to inform a Cabinet officer that his team is Mr. X, Miss Y, and Miss Z.

Riley: There had been a pre-election transition organization, and I’m trying, Jim, to remember who headed up that operation. Was it Mickey Kantor?
Altman: No. Mickey Kantor was in charge of the famous Little Rock Economic Summit.

Riley: But before then, somebody was charged with thinking about transitional issues, actually before the November election, and my question to you is whether, in your work in Treasury transition, you had relied on any work that had been done before?

Altman: No, I don’t remember that effort at all, so it must have been pretty quiet.

Riley: You were involved in the Little Rock Economic Summit?

Altman: I was.

Riley: Can you tell us about that?

Altman: Well, that was, in retrospect, “the Bill Clinton Show,” and he demonstrated—it was, I think, very clever in retrospect. He demonstrated his phenomenal grasp of policy issues, just through sitting there for many hours a day. The thing was televised, nonstop. I think it was over two days. Every imaginable issue arose and Clinton hit all those balls out of the park and it gave the American public a chance to see how astonishingly smart and deep this guy was. So I think it was quite smart to be done then. I’m not sure that was what they originally intended, I suppose it was, but I wasn’t involved in the planning of the summit, I just went to it and had a role on one of the panels and sat around for a couple of days, really.

Riley: Did you think it was a waste of time at that point?

Altman: No I didn’t.

Riley: In trying to organize a government?

Altman: I didn’t, no. And, to some degree it was also, of course, for Clinton to take the measure of certain people he might be appointing. Carter did the same thing but much lower key. Carter had his famous Pond House meetings, and I went to a couple of those. People trooped down and sat around and briefed Carter, but he was sitting there figuring out do I want to appoint this guy or that person, and so forth.

Young: I think at the Pond House meetings there were also some of the Congressional leaders, weren’t there?

Altman: Sure, but Clinton had that, too.

Young: As you said, it was a show.

Altman: But a very useful one. The Clinton process was much more flexible, and I think better, than the Carter process, but that reflected the personalities of the two men. Carter, who’s a wonderful man, God knows, however is very rigid. Clinton is nothing if not rigid.
Riley: Let’s take five minutes and we’ll come back for the rest of the morning session.

[BREAK]

Riley: Most of the budget directors thus far, Alice Rivlin, Leon Panetta, Jack Lew—we spent a day with Larry Summers, a number of the political people as well, speechwriters and so forth.

We’re still in the transition period, and now may be the appropriate time to talk about the process by which deficit reduction becomes a clear priority item over some of the other things that were talked about during the course of the campaign. Can you walk us through that? What was going on? What external factors were at work here? Who the key players were and so forth.

Altman: It begins I think with the economic and fiscal circumstances that the administration faced, and two in particular. One, the recession of ’91 and early or mid ’92, the economy was performing poorly. The second was the evolution of the deficit estimates during that period. When we took office and took a hard look at the deficit estimates, they were considerably worse than we had thought. I should be very careful here.

When we had the opportunity to sit down, our own leadership— you mentioned Leon Panetta, for example, having been chosen—and formulate a fresh set of estimates based on all the then latest data, and obviously reaching out to a whole host of experts, it became clear that the deficit outlook was considerably worse than we thought. If I’m not mistaken, we were looking at a $350 billion deficit, up from about $260 or something that we had been generally using during the campaign.

Riley: Do you remember at what point this revised estimate comes in? Is this before the beginning of the year or—

Altman: Oh yes, this is not long after the key members of the economic team are chosen. So those two circumstances are important as a starting point, the second one especially, because we’d been assuming a certain deficit problem, and upon fresh review, it turned out to be much worse.

The second point is the nature of the key individuals chosen. It should have been, I suppose, more evident at the time, but such things never are. That by choosing Panetta, and Bentsen, and Rubin, he chose economic conservatives. Panetta had made a very distinguished career as House Budget Chairman out of pushing for lower deficits and a more transparent budget process. Rubin was well known as an economic conservative, and Bentsen, of course, had a very long legislative record, which was in the same direction. Lloyd Bentsen was a classic Texas conservative Democrat. So, looking back on it, the nature and the history of those three men had a lot to do with the eventual outcome. Also, strong figures, not weak figures.

So, third, economic policy was number one. This had been the thrust of the campaign, so expectations were very high that Clinton would come forward with a real economic program, a
comprehensive program, and from the moment that all these folks were chosen the question was, what is that program going to be? Clinton had talked of course during the campaign about cutting the deficit in half during his first four years. He talked about a middle-class tax cut and, of course getting the economy moving. So it was job one, so to speak.

Fourth, I recall that the economic forecasts for ’93 were not very heartening. It’s fashionable for conservatives to say that the recovery had already begun on George H. W. Bush’s watch and that if we just stood aside, the same results would have occurred, but those weren’t the economic forecasts we were looking at at the time, nor do I believe that school of thought to be accurate, but that’s another matter.

So there are the four main elements. Also fifth, to some degree, Alan Greenspan weighed in, and a view developed that if we tightened fiscal policy, there would be the opportunity to loosen monetary policy. He didn’t say so, but supposedly he never does.

The notion, by the way, in Bob Woodward’s book, *The Agenda*, that Greenspan was hovering over the proceedings like an angel of death is completely fictitious. Greenspan’s name hardly came up during these discussions. So I attribute that to just the fact that Woodward talked a lot to Greenspan, but that may be just an incorrect take on it. But there was the sense, based on conversations—I think you could go back and say that there were some discussions between Bentsen and Greenspan, Rubin and Greenspan, Clinton and Greenspan, although the sum total of those conversations probably took an hour. But, in any event, there was some sense that if we would tighten fiscal policy, there was the opportunity to loosen monetary policy.

**Riley:** Which has become a part of the conventional wisdom about this period now, perhaps based on Woodward’s analysis. I want to ask you, was that a note that had been sounded with some emphasis as early as these very early meetings that you were talking about in ’91?

**Altman:** No.

**Riley:** So it’s clear that the idea about deficit reduction and fiscal policy takes root really during this transition.

**Altman:** Now remember, Clinton had said he was going to cut the deficit in half.

**Riley:** Monetary policy, I’m sorry.

**Altman:** The answer to that is yes. And the next point I want to make is, there was a fateful meeting, like most of these things, very well chronicled now, in Little Rock, up at the transition, the economic team, lasted many hours, very organized meeting in the sense that it had a set of presentations and then a broad discussion. But as often happens, there is a moment when positions shift. I’ve seen it happen so often in business as well as in government. That was the moment, that day. I think the critical revelation that day was the notion—initially I believe put forth by Allen Blinder, that a certain amount of deficit reduction ought to translate into a certain level of interest rate response, which in turn should be more stimulative—should inject more
stimulus into the economy than anything that we could do on the fiscal side. That notion took
hold at that meeting.

Riley: This was in January?

Altman: No, this was in December. It’s a famous meeting in the sense that Woodward wrote a
lot about it, other people have written about it. The entire economic team flew on a chartered
plane down to Little Rock. We met for six or seven hours in the Governor’s mansion there. That
was the day the earth moved and Clinton’s view changed. I really believe it was that day that his
view changed. I have no evidence, and I think I would have had, that he went into that meeting
with the expectation that he’d come out the way he did.

But the key revelation was the most stimulative thing we could do for this economy is to induce
a monetary response. A lot of the talk was about the public credit markets responding, not so
much the Fed. Bob Rubin talked with great credibility about the bond market responding, and
James Carville was so amusing for so long afterwards saying he wanted to come back in his next
life and be the bond market because everybody paid such fealty to it. But, in any event, the
presentations were very effective and that was, I think, the most important single day in the
evolution of that original policy.

The assessment was correct because, I can’t recall the size of the economy then, but today it is
about $10.7 trillion. Well, if you think about spending initiatives that you could take today that
are politically imaginable, they amount to a hill of beans in a $10.7 trillion economy. So
monetary policy has gone from being considerably more powerful than fiscal policy in ’93, to
being the only policy in town in 2003. But it’s just a reality that in an economy of that size,
spending changes aren’t going to have much effect on the economy; monetary changes can. So
that was the revelation, so to speak, that occurred that day.

Burtless: But I think the most that the Fed can be expected to do is move short rates. It’s worth
asking—

Altman: There was quite a discussion that day about long-term interest rates, as I said the credit
markets rather than the Fed. We didn’t spend a tremendous amount of time talking about, “If we
do this, Greenspan will do that.”

Burtless: But from the outside, one of the notable departures of that administration, and I think it
began very early, was the cordial deference paid toward the Federal Reserve Board. You may not
have been conscious of it. It struck outsiders as the administration never passed up an
opportunity to say, “This is the preserve of the Federal Reserve.”

Altman: That’s a good point, but that’s because there were some people who’d been around the
track. I mean, Lloyd Bentsen had been Chairman of the Senate Finance Committee for a long
time, knew Alan Greenspan very well, knew the Fed very well. Bob Rubin was the ultimate
financial market person, knew the role of the Federal Reserve so well. I’d had served before and
seen how not to do it. It may have struck people on the outside as unusual, but not if you’d been
around.
Riley: What did you mean when you said, “I knew how not to do it”?

Altman: In the Carter administration, there was no real sense of what the Federal Reserve really was, what it did, how to deal with it. Nobody knew, especially in the White House. Mike Blumenthal, the first Secretary of the Treasury, knew, but he didn’t have a close relationship with Carter. So the Carter White House was a bit at sea vis-à-vis the Federal Reserve and its role, how to relate to it. Arthur Burns was the chairman of the Fed. For the first part of the Clinton years, Arthur Burns was famously mystical, quite like Greenspan. So if Clinton and Burns ever had any conversations, they certainly didn’t communicate, I’m sure.

But all I’m trying to say is if you look at Lloyd Bentsen’s background, Rob Rubin’s background, and even to a much lesser extent my background, we knew about monetary policy and we knew about the role of the Fed.

Burtless: In the 12 years between Clinton and Carter, there had been famous acrimony between the Fed and the White House and the Treasury.

Altman: But, I can tell you—a bit of a digression. You recently saw Secretary John Snow in a very studied fashion talk about, make an effort to ease the dollar down, we saw that on two different occasions, and I know how these things work. It was not an accident that he did that. That is foolish because history provides lessons on these matters. For the finance minister of an industrialized country to talk down his own currency always proves to be a mistake, always.

Now John Snow didn’t learn that, he’d never been there before and so forth and so on, whatever excuse fits him. It’s always a mistake to challenge the Federal Reserve. It’s always a mistake to critique the Federal Reserve. It’s always a mistake to get in any kind of hassle with the Federal Reserve Board, always. Because it promotes a lack of confidence in financial markets and, for that matter, a lack of confidence in the business community, a sense that that administration doesn’t know what it’s doing. Anyone who does that indeed does not know what he is doing, and it’s the equivalent of Economic Policy 101.

Don’t ever talk down your currency; don’t ever quarrel with the Federal Reserve Board. You can have whatever conversations you want to have in private. Don’t ever let those conversations be public. People have made that mistake and they’ve suffered from it. I can tell you without any fear of contradiction that anyone who makes either of those mistakes, and I can think of others, will ultimately rue the day that he made them. It doesn’t make sense, it belies any grasp of history, and so forth.

Burtless: Am I misremembering, did the President invite Mr. Greenspan—

Altman: He did, he went to Little Rock.

Burtless: —to sit in the gallery next to his wife when he delivered his economic policy—

Altman: He did, that was the first State of the Union. Greenspan sat next to Mrs. Clinton.
Greenspan went to Little Rock.

**Riley:** Were you privy to the conversations that he had?

**Altman:** No. I should double-check that. I believe Greenspan went to Little Rock.

**Riley:** There’s a time lag between taking painful steps to do something with the deficit and getting some response in the—

**Altman:** Credit markets.

**Riley:** Right. I’m not an economist, so maybe I’m making a bad assumption here, but was there a discussion at this time about when you could start feeling some benefits from this pain that you were asking the President to accept at a fairly early stage in his Presidency?

**Altman:** Sure, sure. Everyone understood there was a lag factor. Remember, you’re playing for four years, you’re not playing for one year.

**Riley:** Is that the way they were thinking?

**Altman:** Yes. I mean one of the oldest rules of Presidential management is, take your pain up front. That’s why the current President may turn out to be lucky.

**Riley:** Right, but if you take too much pain up front—

**Altman:** Well, nobody took more pain up front than Ronald Reagan. I mean, the worst recession since the Great Depression occurred in 1981 and 1982 and in the fall of ’82, in early August, Reagan was being described as Herbert Hoover, politically dead, gone, might as well already make his reservations back to Santa Barbara and so forth. And it turned around and by November ’84 as you remember, it was Morning in America and he won 49 states. That’s the way to do it.

**Burtless:** I think that there was—again, I don’t follow this that closely—but there was a fast reaction in short-term rates when the Federal Reserve Board loosened, early on, in what appeared to be quid pro quo—Greenspan offered some assurance to Congress that the Fed would be cognizant of the Federal—

**Altman:** Sure, Greenspan was in favor of deficit reduction, so when the administration came forward with an actual deficit reduction plan, which, as we all know, was a bit unexpected, Greenspan supported it, testified for it and so forth.

**Burtless:** The bigger gamble then was, as you say, the long term, the response in the long-term credit markets, what’s going to happen, and that, I take it, is where Allen Blinder’s—
Altman: No, I just remember the meeting in Little Rock quite vividly, and I think one of the first presentations was given by Allen Blinder about the economic outlook and the extent to which certain amounts of interest rate response would produce likely amounts of growth response. I remember Allen going through that. Then, that sent the ball in motion so to speak, in terms of that being the focus of discussion, although the senior members of that group were pretty united on the fact that we should make a real effort on the deficit. But Clinton went for it, Clinton listened, Clinton deserves tremendous credit. He saw the opportunity, he seized it, went against the grain and, let’s face it, presided over a period of unprecedented prosperity and balanced the budget for the first time in approximately 50 years.

Burtless: But you think that by January 20th, this basic division of the fundamental economic policy—

Altman: Clinton gave his State of the Union address, the 28th of January, eight days after being inaugurated. So yes, the themes were in the State of the Union. So obviously by inauguration day he’d largely assimilated them.

Riley: Decided to do this. There was a stimulus package that dwindled, right? I mean, it was a larger package as it was originally conceived and then—

Altman: It just flopped.

Riley: Can you tell us about that? Were you involved in that effort?

Altman: Oh sure. We still joke about that today. That was not a high point of the Clinton Presidency. What really happened was that the stimulus was entirely spending-side stimulus. Clinton of course had committed to that during the campaign and it made fiscal sense in the sense of there being so much economic slack. But what actually turned out to happen was that each Cabinet officer, or at least many of them, came up with a list of favorite initiatives they wanted. Ultimately they were in effect combined into one big wish list, and that wish list went forward.

Some of the things on the wish list made a lot of sense, but some of them didn’t. The Republicans quite shrewdly picked out some that didn’t make sense and off the bat marshaled a very focused attack on it. Clinton was offered a compromise by Senators [John] Breaux and [David] Boren. “You can have half of it,” or something to that effect. He should have taken it. Bentsen advised him to take it. Clinton made an error, didn’t take it. Then it went down to defeat.

Riley: Is this a case where the political people were encouraging him to hold his ground?

Altman: Yes, that was bad advice. You don’t want to start your Presidency off with a legislative defeat. The first vote on one of Clinton’s issues was a defeat, which presaged a lot of the weakness that then afflicted him during 1993. One of the reasons why the ultimate votes on his economic plan were as close as they could possibly be, one vote in the House and tie vote in the Senate, was because he was dealing from weakness.
Burtless: But the other approach for a short-term stimulus would be to do what this President did, or maybe it was the Democrats that forced him to do when he took office, which is refundable credit that goes out in the middle of the summer of your first year in office.

Altman: Well, yes, Carter tried a version of that. Carter had the famous $50 rebate, which became the object of much derision ultimately.

Burtless: I remember.

Altman: The Clinton stimulus plan just was not well conceived. The process for conceiving it was a frail one, poor one.

Riley: I want to ask you a general question since you’ve raised the Carter precedent again here. And that is, we get the perception in talking with some people that there was a conscious effort on the part of senior-most advisors to President Clinton not to reach out and rely on a lot of people that had Carter-era experience in the Presidency. You’re an exception to this. Did you get the sense that this is true? That they felt that people who had served the President—

Altman: I think it just evolved rather randomly that not many of those former Carter people got involved with Clinton. There was no real reason for that, it was just fate, happenstance, just the case that not many of them did.

Riley: How early were you beginning to get a sense that the Republicans were going to be an historically difficult problem for this President?

Altman: I had the benefit of having the office next to Lloyd Bentsen, and maybe there are some people around, even in American history, that have had a better grasp of the American Congress than Lloyd Bentsen, but I never met one. It was a priceless education in the way the Congress and all the surrounding politics really worked. And every day I would speak to Bentsen about it. Bentsen had a lucid—it’s hard to describe how lucid Bentsen’s observations always were. He observed to me right off the bat that this was going to be very complicated and no cakewalk, right off the bat. He didn’t like Clinton’s stimulus program.

I can remember very well when Breaux and Boren offered Clinton that compromise, and Bentsen said, “You should take it.” Bentsen knew Clinton wouldn’t get anything else if he didn’t. So I knew early on, but only because Lloyd Bentsen was in effect telling me. I don’t think I would have known otherwise. Clinton chose in Bentsen, with the possible exception of [Robert] Dole, who obviously wasn’t a candidate for this, the most experienced person in the entire United States Congress. The Senate Finance Committee is the most powerful committee, Bentsen had been chairman for quite a few years, was seen universally as a very effective, powerful chairman. Had run successfully for Vice President. Let’s face it, I mean, the highlight of that ticket was Bentsen in 1988.

Riley: Did you know him, you said you hadn’t known him before then?
Altman: I’d met Bentsen a few times. I don’t really think Bentsen knew me at all. I remembered him of course, but I don’t think he knew me. But in any event, there I was, and this guy, as I say, was a master of the game. I don’t think there have been many members of Congress in the 20th century—I would think of Lyndon Johnson, Russell Long, Richard Russell. But Lloyd Bentsen was in that league, top five or six or seven. Obviously Sam Rayburn. But that group, top five, or six or seven, just masters of the game. Clinton had one and in this instance, on the stimulus program, he should have listened to him. That was about the last time he didn’t listen to Bentsen, but he should have.

Riley: Were there Republican members that he particularly relied on—

Altman: Bentsen?

Riley: Yes.

Altman: Bob Dole. Bentsen and Dole were very close friends, which is a measure of the stature that Bentsen had. Bentsen really respected Dole. I came to respect Dole a lot through Bentsen. They talked all the time. Bentsen only talked to about five or six Senators. He had a certain way of carrying himself and a certain sense of very carefully managing his own stature. I mean, it’s amusing in a certain sense, but of the hundred members of the Senate he probably talked on any kind of regular basis to about ten. He wouldn’t call the others back; he’d have me do that because when you’re Chairman of the Senate Finance Committee and some freshman Senator called you, you didn’t tend to talk to him.

Burtless: We’ve talked about the general idea that the administration was going to accept pain by having deficit reduction in the early years, but there’s still the question of how you’re going to mete out the pain. You can do it through tax increases and then you have to choose the tax, and you can do it through spending reductions and you have to choose the area you’re going to focus on. I think this had to be artfully crafted in order to get through. One of the initial ideas was an energy tax. How did the decision-making go about to decide on these different components of the package?

Altman: It certainly wasn’t optimal. Clinton, as I mentioned before, held a series of marathon meetings, I recall that virtually all of them were on the Roosevelt Room, and they went on for four, five, six, seven hours, talking about possible elements of the economic program. It was really quite revealing of Clinton’s inexperience to do it that way, and, for that matter his style, a poor way to do it.

Riley: How many people in the room?

Altman: There were ten or twelve or fourteen or fifteen, big numbers. It was just not the way to run the railroad. Presidents should be presented with options that have been carefully developed, really carefully vetted, and those options should be written down in the usual way, and that wasn’t the case here. Those meetings were, at one level, rather riveting, but at another level they were disorganized. You didn’t need to be a management consultant to see they weren’t well
organized. So, the decision-making process was more than a bit chaotic, and the decision on the energy taxes was reflective of that. We came up with a Btu [British thermal unit] tax.

As I recall, Al Gore wanted it, cared a great deal about it, to some considerable degree got his way on it. But the politics of the Btu tax, as compared to other types of energy taxes, were not well considered. Again, I had the benefit of Lloyd Bentsen’s views. He didn’t think much of the Btu tax.

**Burtless:** Not surprising, given his state of origin.

**Altman:** No, but it wasn’t just entirely that. Bentsen could tell you, within 4 percent accuracy, what was going to happen to every one of these bills. He predicted them. He knew how every member would vote. He knew what the House would do. If he predicted over the two years I worked for him, the fate of 25 pieces of legislation, he was right on all 25. He told me what would happen to the Clinton stimulus bill the day it was put forward. He told me what was going to happen to the Clinton healthcare bill the day it was announced, actually before it was announced. He just knew how it worked. He knew what was possible; he knew what wasn’t possible. The politics of the Btu tax per se versus other types of energy taxes, including the gas tax, which we ultimately fell back on, weren’t well considered.

**Young:** A few questions about that. It sounds like Bentsen’s Congressional or legislative savvy was not being availed of in these chaotic meetings, the policy-making meetings.

**Altman:** In the very beginning it wasn’t as availed of, as it quickly became availed of later. The period during which Bentsen’s views weren’t treated with quite enough respect was a very short one. You asked me about Bentsen because of his unavailability—

**Riley:** This is excellent.

**Altman:** The relationship between Clinton and Bentsen was quite unusual. I know this will sound quite strange, but Clinton was in some awe of Bentsen and a little bit of fear of Bentsen. That was partly because Bentsen was a person who had never failed at anything. If you think about his history, Bentsen had been a highly decorated war hero. There are some very famous stories about Bentsen’s war experience. Bentsen had run for Congress at a very young age, successfully, was re-elected two or three times, then quit and went into business and was very successful in business. He made quite a bit of money and then ran as a big long shot again, initially against Ralph Yarborough for the Democratic nomination for the Senate in 1970, upset Yarborough, then beat George H. W. Bush.

With the exception of his Vice Presidential candidacy, he never lost another election. Bentsen never lost an election, period, on which he was head of the ticket, ever. Then, of course, he became chairman of the Senate Finance Committee, which is the most powerful single position in the Congress other than Majority Leader, and some would say it is more powerful, and ran the committee with an iron hand.
Bentsen was just a legend and Clinton had never served in Washington and Lloyd Bentsen was a king of Washington. Then there was the other dynamic, which is—their personalities could not have been more different. Clinton, as we all know, is very open, but also a very undisciplined guy. Bentsen managed himself with extraordinary skill. He never did anything spontaneously, at least professionally speaking. He managed himself beautifully and with great self-control, and Clinton had very little self-control. You didn’t have to spend much time around them to see this. So the dynamic between the two was quite an interesting dynamic and quite quickly—to come to your point—after the stimulus plan went down, Clinton began deferring to Bentsen on everything.

We’d have these meetings; they became eventually more organized than that first set of meetings. We’d sit around in the Roosevelt Room, and you know how it works. Everybody gets a nametag, and there’s the Secretary of the Treasury, the Deputy Secretary of this and Director of OMB, and you’re all sitting around, a very staged setting.

Bentsen tended to say very little at those meetings except at the end, when Clinton would turn to Bentsen and say, “What would you do, Lloyd?” and Lloyd would say, “I wouldn’t do it, Mr. President,” or “I would do it.” From that time forward, about 79 times out of 80 Clinton did whatever Bentsen said. So it was a very interesting dynamic.

Young: So it was a quick learning experience for Clinton.

Altman: I have to tell my most famous Bentsen story because it really illustrates what an extraordinary person Bentsen was. It’s early ’94 and the process on the healthcare initiative begins. It’s the biggest story in Washington, Hillary Clinton, the whole thing. Hundreds of meetings over many months, also similar to those original meetings, too many people, too long, too many people talking and so forth. Finally the famous proposal comes forward and it’s put before the Congress. Right as it was up, the Wall Street Journal does a full-page profile on Bentsen, right here on the right.

Riley: He’s pointing to the right-hand column of the Wall Street Journal.

Altman: They’d been working on it for two or three weeks or whatever one does, but, as they usually do, the day before the profile runs, they want to come in and interview him so they can have a current aspect to it. So they came in and interviewed him. The bill’s up on the Hill and it is the object of tremendous controversy and heat and light.

The Wall Street Journal reporter says to Secretary Bentsen, “Mr. Secretary, if you were in the Senate, would you vote for the President’s healthcare bill?” And Bentsen, who full knew this was going to be on the front page of the Wall Street Journal said, “I’m not in the Senate.” That was his answer. So here’s a person who knew how to manage himself. He may have been serving the President, but he hadn’t been in public life for all those years, never lost an election, become Chairman of the Senate Finance Committee, didn’t become a legend in order to sully his own reputation, as he saw it, over some legislation that he thought was misguided from the first moment.
I don’t know how many people would have the political courage to do that, but I know I wouldn’t have. “I’m not in the Senate.” But anyway, he was quite a character.

**Young:** Reagan had a group called the legislative strategy group, the LSG, which was intended, whether this is reality or not, to look at the legislative strategy or legislative implications of the policy as a part of the process, developing very soon after his inauguration. Did Bentsen then become sort of a one-man legislative strategy group?

**Altman:** No.

**Young:** How did that work?

**Altman:** By and large Bentsen talked to Clinton when Clinton called him. That was the way it worked. So no, Bentsen did not go over to the White House, hang around, talk about legislative strategy. No, not at all.

**Riley:** Were there discussions in these early stages about the President being mismanaged, or was there a sense that this was somebody who couldn’t manage himself?

**Altman:** It really wasn’t that way. The meetings became sort of a phenomenon and some people thought they were great because they were so inclusive and here we were having opportunities to spend hours with the President. Some people thought they were misguided. I was just there to do the best job I could. I’d served four years in the Carter Treasury but I hadn’t had that much exposure in those years to the President. I was an Assistant Secretary, I had a few meetings with President Carter but not that many, so I wasn’t familiar—

**Riley:** But it was not the way you would organize, and one wonders, Mack McLarty was the Chief of Staff at the time and came out of a business—

**Altman:** Yes, but Mack was entirely averse to confrontation and played a completely backstage role in these things, which is not really what a President needs. There are extremes here. You’ve had Chiefs of Staff, Don Regan comes to mind, who see themselves as all-powerful and go too far to one end of the spectrum, and you’ve had others like Mack, who are too deferential and too averse to confrontation and go too far in the other direction. So Mack played relatively little role in this. It was really only when Erskine Bowles became Deputy Chief of Staff that a structure began to be built around Clinton that enabled all those processes to become more organized.

**Riley:** And that was fairly late, right, when Bowles came in?

**Altman:** It was just not very well run, as I recall it, until that time.

**Riley:** There was an acknowledgment, though, fairly early on that something needed to happen?

**Altman:** Well of course, McLarty was replaced by Leon Panetta roughly a year after the administration began. That was in recognition of that.
Riley: But there were some deputies, Harold Ickes came in maybe six months or so—I’m trying to remember when that first shakeup with the deputies was.

Altman: Well, there was, like most administrations, kind of a running shakeup. David Gergen was brought, which I think was probably the fall of ’93 and Panetta replaced Mack—that was an awfully big event, of course. Ickes arrived for different reasons; that wasn’t to try to lend organization to the process.

Riley: Did you know Ickes independently?

Altman: Yes. Then in the latter part of ’93 I think, Whitewater began to surface, I think it was late ’93. By the end of the year it had become a massive issue. I don’t recall precisely, but I’m sure I’m right that Clinton’s standing in the polls was ebbing. So by the time ’93 was over, he was not doing well. By the time ’94 was over, the Congress was in Republican hands.

Riley: Exactly. We’ll take a break for lunch here in just a minute, but I want to jump track and ask you one set of questions about your own responsibilities within Treasury. That’s something we don’t have a lot of information about. Could you tell us what your portfolio was within Treasury and what your primary responsibilities were?

Altman: Sure. First of all, the actual role of the Deputy Secretary as defined in the Treasury mission statement is to do what the Secretary of the Treasury asks him to. I don’t mean that facetiously. If you look at the organization chart—I’m not sure it’s the same now, but you have the Office of the Secretary of the Treasury, and the Deputy Secretary is part of the office. So there’s no reporting responsibility, it’s treated as one office, a little bit like a corporate office of the chairman which includes the chairman, and the CEO, and the President and chief operating officer, and maybe even one or two others.

So it’s really a role that varies from Secretary to Secretary in terms of what that Secretary wants, and that’s just a history of it. Having watched very carefully what Bob Carswell, who served for three plus years of the four Carter years as Deputy Secretary, did in that role, and that was actually rather different than my role. But my role was shaped largely by two things: one, Bentsen and what Bentsen wanted; and two, the fact that I had a reasonably close relationship with the White House. I hadn’t been parachuted in from some distant spot without any such relations. So I did a lot of work representing the Treasury on any number of issues in the White House councils of deliberation.

My role was also shaped by the fact that Bentsen picked his spots very carefully and not only didn’t want to be involved in everything, only wanted to be involved in a very few things. He was a classic, in my book, excellent chief executive. His view was, I want to pick good people and let them do their jobs. He didn’t want to be involved in the daily ins and outs of those jobs. He wanted to focus on a few important things at any particular time.

So that resulted in my having, I suppose, a jack-of-all-trades job. I wasn’t there because I was an expert in tax policy. I wasn’t there because I was an expert in international finance. So what I actually spent my time on ranged all over the lot. I mean, to give you an example, we’d been in
office I think several days, and the Sunday after the inauguration I was sitting at home in New York because my family hadn’t moved yet. The phone rang and I was told by the Under Secretary for Enforcement that there had been a raid by the Bureau of Alcohol, Tobacco, and Firearms on a complex in Waco, Texas, which had gone terribly wrong. Four agents had been killed and others seriously wounded and it was the worst loss of life in the history of the ATF in a single incident.

Well, about ten minutes later President Clinton called me. This was breaking news, CNN [Cable News Network] was interrupting its programming and so forth and President Clinton said, “What is this about?” and I had no previous knowledge of it at all. But the next day, Monday, I was on a plane to Waco, Texas. I knew what the ATF was, but not much more than that. But that was what one did as Deputy Secretary of the Treasury. Secretary Bentsen was too important and had other things to do than to go down to Waco, Texas, and try to figure out what was going on there. So I was going down to Waco, Texas. I had no background for that. I did the best I could. It was quite an experience, in retrospect. But that’s an example of the type of stuff the Deputy Secretary does.

Riley: What did you find on the ground when you got there, if I could—?

Altman: I went and visited the injured agents in the hospital. That was the first thing I did. I’ll never forget, I went in to see one of them who’d been shot eight times. They were using very powerful weapons—I think .20 caliber weapons. He’d been shot eight times. He was on a roof, about an 8-foot-high roof. And, of course, the ATF agents didn’t know what they were going to experience and he found himself exposed to an open line of fire. The only way he saved his life was to throw himself off the roof after he’d been shot several times.

So I’m sitting there in his hospital room and he’s got every imaginable tube coming out. He was shot eight times, mostly in the chest. I had a certain background but it didn’t include experiences like that. I remember sitting there, thinking to myself, This guy just did something that I could no more imagine myself capable of doing than I could jump off the Brooklyn Bridge. I was just in awe of people like that. I mean, I just thought he was such a hero. So the experience of visiting these guys, some of whom were right on the edge, made tremendous impact on me.

Riley: Did you stay down there—

Altman: I stayed down there for a day and a half, maybe 24 hours. I went down there one day, came back the next day. Of course, I met with the senior ATF guys. I mean, you’re sent down there, you have no training for it. You ultimately get into a room like this and you say, you’d better start to train me, tell me how this happened. But I didn’t have any knowledge of this stuff. Well, you know that whole thing turned out to be quite an astonishing fiasco with the ultimate FBI [Federal Bureau of Investigation] raid and the immolation of 80 Branch Davidians. But that’s the type of thing the Deputy Secretary sometimes does, or when there are problems with the IRS.

We had some serious issues with the IRS. The IRS employs 120,000 people or so. The idea of making changes or improvements in the IRS is a pretty tough idea, but you find yourself doing
things like that. But most of my time was spent on legislation. From the very beginning I was spending a lot of my time on the President’s economic program.

Riley: Exactly.

Altman: Then, I was in Tokyo. I was working on the economic program, I was working on trade and certain departmental matters like I’ve just described. I was in Tokyo with President Clinton, the Tokyo Economic Summit and I’d made several trips to Tokyo paving the way for that. There was a group of three or four of us who were doing Japan policy. That was my third or fourth trip, in ’93. McLarty called me in my hotel room in Tokyo and asked me if I would be willing to take in effect a leave of absence from the Treasury and go to manage a war room that they wanted to set up to get this bill passed, the President’s economic program. I ended up doing that over the space of four, five, six weeks. I worked in the White House.

Riley: I think we’ll probably want to pick up there and find out about that experience. Were there any big-picture elements that you wanted to put into the puzzle right now or should we just go ahead and break and we can pick up with some of the specifics on these things?

Burtless: What about health insurance?

Altman: Well, the meetings on that really began right after the President’s economic program was passed. There was a whole bunch of work going on on that but I was completely preoccupied with the President’s economic program and trying to get it passed, not just during the war room period but before that. I may have attended a few meetings, but I only began to be immersed in healthcare after the President’s plan passed and I became the Treasury person on the Hillary Clinton healthcare task force. She had a million task forces, but the senior one. But I only began to spend heavy time on that after the August passage of the President’s economic program.

In fact, I went out West for vacation and I was interrupted and came back and went to the first of what became endless healthcare meetings. But that was really after the economic program passed.

Riley: Why don’t we break now. We can come back and pick up on each of these strains and try to get you to flesh out the skeleton if we can.

[BREAK]

Burtless: …some of these were extemporaneous, he had no notes, but he was quite an impressive speaker, I thought.

Young: He was very impressive. It wasn’t how he said it, it was what he said.

Riley: One of the things that you mentioned that was in your portfolio was selling the budget package. My assumption is that you must have been doing that from two perches, your first perch being in the Treasury Department and then eventually the war room was opened up, and then you at some point were moved into the war room.
So I guess we’d like to hear the story about your involvement in both cases, focusing on your relationships with members of Congress, how the division of labor was, your relationships with the—

Young: This was in the war room?

Riley: This was in both instances.

Altman: Let’s step back and just recall who the members of the senior economic team were because there was an entire team of people doing this. Of course, there was Leon Panetta, and Bob Rubin and Lloyd Bentsen, Alice Rivlin, Laura Tyson, myself, Gene Sperling, those were really the main members. And then, of course, the political people in the White House: George Stephanopoulos of course, and others in the White House.

But my first point is that that entire team was out there promoting the President’s economic package, both crisscrossing the country for that purpose, speaking, visiting Congressional districts and so forth, testifying on it of course, visiting one-on-one with members of Congress. It was quite a full-bore effort. Very, very intensive, one of the most intensive things I’ve ever been involved in.

So my second point is that I was a part of that during the pre-war room period—

Riley: In all aspects? Working on the Hill, traveling?

Altman: Yes. Now, of course, as far as working the Hill was concerned, I would take my cues from the constant and joint planning of the White House and Treasury legislative liaison staffs. Altman: Howard Paster at the White House, Mike Levy at the Treasury. So I would get, from Mike Levy, typically, what my assignments were. I didn’t devise them on my own. I might have a point of view about what those ought to be based on certain inputs I was receiving directly from the Hill and we need to work more on this or that. But fundamentally, I was getting those assignments from the legislative staff.

But it was a mixture of considerable travel, considerable speaking, lots of radio and television shows, in some cases done locally—in other words, you’re in St. Louis, you’re doing them, or, alternatively from Washington where you go over to the White House and sit on a chair and do seven satellite feeds in a row, or five radio shows, or what have you. So that went on with mounting intensity over a series of months after the President had actually laid it out.

Young: Who was the coordinator, if any, in the first follow up?

Altman: When you say the coordinator, you mean of the President’s message?
Young: Well, after the President’s unveiling and before the war room, this pre-war room effort at selling, how was that coordinated? Was the center of gravity in the White House, with you, or was it none?

Altman: Twofold. One, every morning of course, there was the senior staff meeting at the White House. Now I did not attend that, but the issue of the President’s economic plan and whatever adjustments were going to be made and the efforts to push it forward were discussed, perhaps in most cases the number one item, at the senior staff meeting each day. Secondly, the National Economic Council would meet very often for purposes of reviewing where this stood; I was on that as a standing member. You had that, and then the legislative group, meaning Howard Paster and his counterparts from Treasury and Commerce and so forth, would meet every afternoon. So there was a rather constant process of monitoring, assessing, adjusting, going on that way.

Now we became aware pretty early that there were some real problems with this proposal. For example, the Btu tax and the raising of the highest rate, highest bracket. So it quickly became apparent that some elements of the plan were going to face heavy sledding. As everybody knows, ultimately there was not a single Republican vote cast for it, neither in the House nor the Senate. I think that’s a very important point because it turned out to be an awfully successful piece of legislation and not a single Republican voted for it. There were people like Senator [Phil] Gramm saying it would usher in a new depression. All types of dire predictions were put forward.

Young: Yes.

Altman: Not a single one of which materialized.

Burtless: Did you think that they took those claims seriously, or was this pure politics?

Altman: Pure politics.

Young: We can go into that in a little more depth, the pure politics part of it. How are people in the future to understand why this became such a polarized situation with Congress? Was it defined initially as a Democratic Party issue and Republicans were cut out, or how did that happen?

Altman: I’m sure there are lots of aspects of the preparation plan. In other words, all the work that goes in before it’s actually sent to the Hill. I’m sure there are numerous aspects of that that the administration given a chance would like to do over, to prepare better, and it was a team that didn’t have a lot of legislative experience, although, in the case of Panetta and Bentsen, it had a couple of very strong elements. But in any event, I’m sure it wasn’t as good as it should have been. Having said that, I don’t believe that affected the partisan approach to it.

Now you’re raising a subject that is an entirely different one, which is why was this so partisan and why were the Clinton years so partisan? My own view on that is that American history is filled with examples of severe and indeed brutal partisanship. The Clinton years were not in any respect unique from that point of view, but that partisanship for some reason or other seems to go
in cycles and we just happen to come into office at a time when the cycle was moving up in terms of the scale of partisanship. So, for example, the partisanship in Washington hasn’t particularly declined since President Clinton left office. But I think if you study American history and you look at any number of earlier periods, the attacks on Abraham Lincoln for example comes to mind, the Andrew Jackson period, such extreme partisanship is common in American history. The politics of personal destruction as Mrs. Clinton is saying now on her book tour, common in American history, nothing new about it at all.

But for reasons I don’t fully understand, it goes in cycles, and we came into office at a time when an up cycle so to speak on partisanship was asserting itself. Now, maybe we caused that. But in any event, it hasn’t ended with President Clinton’s leaving. So we’re in a partisan phase. Now, it may last five or six more years, it may last 25 more years, I don’t know. But it’s just one of those periods in Washington when partisanship is at a peak.

Young: There are some people who would—some of the George H. W. Bush people date the partisanship from the budget deal.

Altman: 1990?

Young: Yes. Where the negotiations broke down, I don’t know what caused it. But from their vantage point, that’s when they experienced intense partisanship.

Altman: Well, if you were to ask me for a moment when looking back on it, one could perhaps see that we were moving into a new period of partisanship, I would have chosen instead the [Robert] Bork battle, which I think changed quite dramatically the whole process on Supreme Court nominations and the grounds on which they were debated. It used to be, I believe, that they were graded on grounds of competent scholarship and so forth. I think of people like [Harold] Carswell and [Clement] Haynsworth that Nixon appointed and who didn’t make it, it was mostly because they were seen as inferior candidates. But in 1987, I think it was, the Democrats in this case, I must say, rewrote the rules and decided that ideology should be the grounds on which this was decided, and Mr. Bork may have had great credentials, may have been a scholar of great distinction but his ideology was unacceptable.

I view that as a very unfortunate decision the Democrats made, but that was a new low, or a new high, however you look at it, in partisanship. I would say that had probably as much to do with the onset of a partisan period as did the Andrews Air Force Base summit, but I’m just playing amateur historian here.

Young: Was there a contrasting case in your experience in the Clinton administration where support was received both sides of the aisle and sought—was it sought in the budget case?

Altman: Of course.

Young: But then the door dropped and Dole—
Altman: Remember, President Clinton’s first initiative, the stimulus plan, was defeated. He’d been in office a month or two, defeated by a coalition of Republicans and conservative Democrats, and that was many months before the fateful votes on the economic plan. In fact, it was six months before. So we already had quite a taste of the Congressional dynamic and overall political dynamic. But of course Republican support was sought.

Riley: Do you recall in your conversations with Senator Bentsen, were there missed opportunities for developing a more bipartisan atmosphere in Washington at this time, or was it pretty much just a foregone conclusion that because the Republicans were now completely in the minority that they were going to obstruct from the outset?

Altman: I think there were missed opportunities, yes; I don’t believe they would have made a big difference however. You know, Clinton’s Presidency coincided with a lot of big changes in the body politic at large. We just discussed one of them, which is the “up cycle in partisanship,” as I call it. But also the role of the media had been changing a lot and that role I think manifested itself very vividly in the Clinton years. The media to some degree has shifted for, in my view, simple generational reasons, to the right, and the right-of-center media is much more monolithic than the rest of the media, and so its ability to concentrate its opposition and its influence emerged as much greater during the Clinton years.

We’re seeing it today. So again, it wasn’t all about President Clinton. He may have kicked it off in a certain sense, but it has continued even more strongly to some degree in the last couple of years, but that was another broad historical development, critical historical development, which characterized the Clinton period.

Young: But wasn’t the Clinton economic plan somewhat right-of-center too? That’s one of the things that kind of surprises—

Altman: It was, in any normal historical context, yes, right of center because it focused on deficit reduction, tighter fiscal policy, more conservative budgeting. Of course. But the tax increases—and there were two main ones, the energy tax and the upper bracket increase—were seen by the Republicans, every last one of them, as unacceptable and became their rallying cry.

Young: So that the link in Clinton’s mind between deficit reduction and stimulus disappeared when it got into the political arena.

Altman: Yes, and I’m sure that any number of opponents to the President’s plan were sincere in their expectation that it wouldn’t work. I don’t question the sincerity of every opponent. Some of them I think were insincere, but many of them were sincere. They just didn’t believe it would work. But I think in Washington, except in dire emergencies, politics rules, and most Republicans had the view that they would rather die than vote for a tax increase.

Riley: There’s also an institutional dimension to the atmosphere in Washington that’s very important and distinguishes the current situation from the situation in which you governed, and that is the existence of an independent counsel. We haven’t exhausted the topic of budgets and we want to talk further about that, but since you’ve already opened the door on this question
about historical opposition and so forth, I thought that you might want to discuss your perceptions about how the existence of that institution changes the dynamic in Washington.

Young: Before you get into that, can I ask you another question about the arrangements on the 1993 budget? The arrangements, as far as the White House, how it passes operation, and the Treasury operation—should that be seen as well coordinated, or is it difficult to coordinate? I’m not quite sure what their input was—

Altman: Whose input?

Young: Both of them, whether it was—

Altman: In this case it was well coordinated because Howard Paster was really excellent at his job. Mike Levy, our person, who’d been Senator Bentsen’s primary legislative staffer, was a true pro, and that particular axis worked like a charm. It was excellent.

On the other hand, in the Carter White House it worked very poorly. So it depends a lot on the people. For example, I said earlier, the National Economic Council is not a new idea at all, that the Ford administration had its version, Nixon had his version, and so forth. But Clinton’s worked largely because of the people, and mostly Bob Rubin, but anyway, it worked well.

Young: So they met every day?

Altman: Toward the middle and latter stages they met everyday.

Young: I’m trying to get a sense of what their input to the whole process was. Were they talking about what you do with Senator X, with Congressman Y? Were they talking broad strategy, were they keeping whip counts?

Altman: Well, “both” is the answer. In the initial phases it was really broad strategy because we didn’t yet know. There were some cases where we did, but we didn’t broadly know where each member of Congress really stood on this. Until there had been hearings and so forth you don’t get much of a sense of that. The hearings process really kind of kicks it off. So in the early period, I’d have to go back and look at when the President laid the legislation forward, but I want to say it was first of March or something like that. In the early period, there was a lot of discussion of broad strategy, how to create support for deficit reduction as a whole, how to talk about the program, what type of interest groups we needed to particularly work with and work on. Then, as the weeks and months went by, it came closer and closer and closer to whip counts. Toward the end it was all about these four names or these six names and how do we get their votes.

I think though, if I can repeat myself once, I finished reading a few months ago a marvelous biography of TR [Theodore Roosevelt], the second volume of Edmund Morris’ work. I think if Edmund Morris were writing with that skill about the Clinton years, he’d have a whole chapter on the vote on this plan. I mean just the vote itself and the fact that not a single Republican voted for this, which even by its critics is seen now as having been at least a contributor to the
economic prosperity and fiscal balance that later resulted. It’s really quite stunning. One of the many stunning things about it is the fact that none of those Republicans paid a price of any kind for that. The American political system has changed a lot.

Phil Gramm, I’ll never forget, predicted that it would usher in a new depression—I mean depression, not recession. He voted against it, we had a boom, he never paid a dime’s worth of price for that.

**Burtless:** You think that a lot of Republicans who didn’t support it would say, “Well, there’s a little justice in the world because Bush 41 paid the price for having a compromise in 1990 that, along the lines of the 1993 bill, did help restore some fiscal discipline to the U.S.”

**Altman:** I think my point is slightly different. My point is that if one was a Republican in ’93, one could say, “Okay, I’m going to vote against this so I’m not on record of favoring any kind of tax increase, and that protects me politically and if that works out, I don’t lose anything, so I’m politically immunized. I can vote against it, tell my constituents I’ll never support a tax increase. They’re already heavily taxed, it’s their money, not the government’s money and all of that, and if it works, nobody will remember that I opposed it. No voters will cast their votes, even two years from now, even in ’94, one year from now, on the basis of my having voted against it.” So it’s a free vote, ideologically and politically. It’s curious to me, but that’s how it worked.

**Riley:** In fact, the exact opposite—the people who voted for it were punished in ’94.

**Altman:** Some of them, yes. Of course, by November ’94, many of the benefits of this program had not yet evolved.

**Riley:** This goes back to that question about the interim between the pain and the payoff. Why a war room? You’d suggested earlier that a National Economic Council wasn’t anything that was a particularly major innovation. Is the existence of a war room something—

**Altman:** Well, the war room, first of all, was operated quite differently from the National Economic Council. But as to whether it was an innovation, I doubt it. I can’t cite the examples that I can cite about the National Economic Council, because I studied that for Clinton, but I doubt it.

The war room was very effective for Clinton, and of course, it was to some degree patterned after the war room in the campaign, which was then the object of an interesting film among other things. It was very effective because it was a group of roughly 20-25 people, working literally 19-20 hours a day with only one mission, and that mission was to get this bill passed. So, when it came to answering Congressman Smith’s questions, or Senator Jones’ questions, we were able to get those answers up there within two hours because we had all the people right in the room.

When it came to responding within the same news cycle to an allegation or some criticism of the program, we were able to respond immediately, and rapid response became a part of the political lexicon. We were the easy solution for the press. They just called someone in the war room and they had an immediate answer or immediate access to whatever they needed. But it really was
quite effective because one needed a military-like approach with only five or six weeks to go, and that bill was in trouble.

**Riley:** Who asked you to do this, the President?

**Altman:** The President decided it, but Mack McLarty actually called me. I was in Tokyo, asleep, so I was a bit taken aback. But I talked to Secretary Bentsen and I think he’d been already talked to about it, but anyway, he said, “Fine.” I was asked a second time to do it on the healthcare. Fortunately Secretary Bentsen said, “No, not fine.” But, in any event, as soon as I flew back from Tokyo, I moved into this area in the old Executive Office Building they had cleared out and I was the person in charge of the war room, and it worked I think for five weeks give or take. I do believe it was able to make a difference.

**Riley:** Did you have a lot of organizational responsibilities, or it was a going concern when you—

**Altman:** No, it started from scratch.

**Riley:** You were responsible then for recruiting the people who were going to be in it?

**Altman:** Only to a degree. The White House decided—well, there were certain people who were obviously going to be in it. Gene Sperling was in it. There were some folks from the White House Press Secretary’s office who were in it. Then maybe half of them we discussed about this person, that person. But I didn’t unilaterally choose all the members of it. At best I had an input, and in some cases it was just obvious that some of these other folks had to be in it.

**Burtless:** Is it okay if we move away from the crisis of getting the big things through to just the more mundane ways that the government ran while you were there?

**Altman:** You should have asked me about the vote, unless you’ve already talked to enough people about it.

**Riley:** Please. When you were suggesting Edmund Morris I was thinking—

**Altman:** The vote was really the most dramatic moment I ever experienced in six-and-a-half years of government service. I’ll just go to the highlight reel, but reality is that on the day of the vote, we didn’t think that we had the votes.

**Burtless:** Which one, House or Senate?

**Altman:** The House voted first, and on the day of the House vote we didn’t think we had the votes, or at least we thought the odds were too high that we would lose. The most frantic imaginable effort was going on during the five or six hours preceding that vote. Whatever was going on on the deck of the *Titanic* was comparable, but it was absolutely frantic and incredibly dramatic and tense.
I spent the last couple of hours of that period in the Oval Office with the President and that was quite unforgettable too because the President was hugely animated, to some extent discouraged, to some extent angry, and there were moments when I was the only one in there with him. He knew that if we lost this vote it was a severe blow. So he was frantically calling members of Congress as various requests came in for him to do so. The number of possible votes at that stage had dwindled down to a tiny number, votes that were undecided.

I recall speaking about 20 minutes before the vote to Marjorie MargoliesMezvinsky, with whom I had developed a friendship, and it became evident to me that she was very reluctant but willing to vote for the bill. I put the President on the phone with her and of course, she cast the decisive vote. She didn’t cast it because of me, but it just became obvious to me in that conversation that she was very reluctant to cast that vote. It turned out to be the equivalent of walking the plank.

The President said to me at one moment when we were alone, and with great heat, he said to me, “Roger, you see, there’s no constituency at all for Wall Street economics,” which is how he viewed his plan, that he’d sold himself to Wall Street and you see there’s no constituency for that because we’re about to lose. I didn’t say anything to that. But you can imagine the irony of that comment because the Republicans to a man were opposing it because it is tax and spend economics, and the President is saying it’s going to go down because it is Wall Street economics. Somebody was wrong.

Anyway, then Secretary Bentsen and I repaired to the little study off the White House, the two of us, just to watch the actual vote. When the voting began, we did not know if we were going to win. We just didn’t know, and that’s pretty amazing, the biggest piece of legislation, the voting has actually begun. We didn’t know if we were going to win. Bentsen, of course, didn’t know the House as well as he knew the Senate, so it wasn’t unusual that he himself wouldn’t know in the House. We sat there, the two of us, watching it on television, mostly in silence. Then Marjorie made her famous walk to the well, with the Republicans serenading her, “Bye, Bye Marjorie,” but if there’s a more dramatic moment that one can have in government service, at least if you’re working in some sort of economic capacity, I can’t think of it.

Then of course, the Senate voted the next day and we only had 49 votes that we knew about and Senator Bob Kerrey was the undecided vote, the only one left. Fifty Republicans had announced their opposition, 49 Democrats had announced their support, and Bob Kerrey was strolling around, going to the movies, which is what he was doing.

During the day two or three people from the administration spoke to Kerrey—Mack McLarty and Leo Panetta spoke to Kerrey. Then the President spoke to Kerrey. They had a very unsuccessful discussion, which resulted in name calling and cursing. But then Senator [Daniel Patrick] Moynihan spoke to Kerrey late in the day and I thought that was, if not decisive, very influential. He and Kerrey had a very close relationship. Then about an hour before the vote, that’s it, we knew that Kerrey would vote for us and then of course Gore could break the tie.

**Burtless:** There’s some story that he demanded a commission on entitlement reform as a price—
Altman: Yes, he did. But I don’t really think that was the reason that he voted for it, but only an hour before the vote in the Senate did we know we had his vote. I knew Bob Kerrey quite well by that time and Bob was very unpredictable. You couldn’t say to yourself, *Well in the end he’ll be fine.* You couldn’t do that. So an hour before the vote is when we heard that we probably had his vote. I only heard—people are very superstitious—so I was told, “It looks better” or “It looks like it may be all right.” Nobody said to me, “He’s there.”

So I watched the Senate vote, also on television, this time in the war room. Kerrey made a quite dramatic speech, rather excoriating Clinton, urged Clinton to get back on the “high road” and so forth and then cast the vote and Gore cast the tie-breaking vote and that’s how it happened. I think history will probably record that as the most important achievement of President Clinton’s overall Presidency, not the vote itself of course, but the ultimate effects of it. It was absolutely breathtaking, profoundly dramatic and unforgettable, absolutely unforgettable.

Young: Was Gore a part of the team?

Altman: Yes he was.

Young: Did he have a special brief for helping—

Altman: No, he was working the Hill like everyone else, but he was important. He had good relations with certain members of Congress, and we needed that. Anyway—

Riley: Before we come back to this, I want to pose one question and that is about the President’s style when he was working the phones with members of the House. Is this time for horse-trading? Is this time for patriotism?

Altman: No, it’s time for “Russell, I really need this, I really need it, the country really needs it.” The time for horse-trading was over.

Riley: So this is the case where basically he’s saying, “My Presidency and this party are going to rise or fall based on whether we succeed in this or not.”

Altman: The country needs it, the Democratic Party needs it, I need it. We can’t afford to lose it, that type of stuff. Of course, any situation like that always has its humor. A lot of funny things were happening. But at the end it was breathtaking.

Riley: Anything in particular you recall that can flesh out the record?

Young: One funny story?

Riley: No, two funny stories, Jim, don’t let him off so easily.

Altman: It’s probably strange humor in this instance. I thought, perhaps not at that instant, but quickly thereafter, that what Clinton said to me about Wall Street economics was very funny. It wasn’t funny in the conventional sense, but it was just funny. I mean, Republicans are opposing
it because it’s tax and spend, the President is upset about it because it’s Wall Street economics. Something’s pretty strange here. I thought that was pretty funny.

**Riley:** I think it’s a wonderfully illuminating story because it picks up on a strain Jim was asking about earlier with respect to Republican opposition.

**Altman:** Then, just after the Senate vote, everyone gathered in the Roosevelt Room, there was quite a celebration, really a quite unique kind of celebration, and I had somebody working for me for a couple of days on a David Letterman style top ten list, why we won the vote. Things like, I can’t remember what example we used, but Senator X voted for us because he was afraid he’d have to have lunch with the President again, things like that. Actually I delivered mine to great jocular reaction, but then Gene Sperling stood up and he talked about the ten reasons why this was a good bill. I can remember feeling very chastened because he talked about how many children we were helping and how many families we were helping and I chose to try to make— just in the spirit of celebration, a few jokes. So I felt very chastened by what Gene had said.

You know, the only other thought I would express on this is, despite the drama of the moment and the stakes, everyone, as they say, puts on his pants one leg at a time. So the vote ended, Senate vote I mean, and we had that celebration. Then President Clinton went out on the balcony—the front porch of the White House, on the Pennsylvania Avenue side, and had a press conference. Secretary Bentsen had already left. He was very disciplined and he went to bed at a certain time and he went home. The President and Vice President, I think it was Leon Panetta, and myself, one other person, he and I were standing there, looking out, it was a beautiful August night, not too hot, and it was just an amazing moment. But then of course, I went home, my family was away, you walk home, you walk into your house, and it’s time to watch ESPN [Entertainment and Sports Programming Network] or whatever you do. So it’s funny how reality quickly returns.

Anyway, that was the high point, by far, of my own service, both in terms of the drama and the sense of having contributed something important.

**Riley:** Were there any members in particular with whom you worked directly that you felt you were personally responsible for salvaging? I mean, not to take any credit away from other players, you wouldn’t want to do that I’m sure, but there must have been some—

**Altman:** There were quite a few members where I had lead day-to-day responsibility. I mean, obviously, if it came down to the crunch time, you’re going to have the President call. I’ve known many members. I worked very closely with Bob Kerrey, with Senator [Max] Baucus, who had such a problem with the gas tax. By and large, most of the members of the Finance Committee in the Senate and the Ways and Means Committee in the House. But you ended up doing a lot of strange things. I took a trip out to Oklahoma to visit the district of a Congressman from Oklahoma whose vote we needed, and ultimately I think we got. I’ll never forget that, he was a good guy, a real good old boy, I can’t recall his name now, he’s not in Congress any longer, but I arrived at the airport and he meets me and he says, “Look, just get one thing straight, you’re not going to say a word today about guns, nothing. Word comes up, you just say nothing. They’re going to ask you about it, say nothing.” The politics of Oklahoma.
I remember that day. I spoke to the Oklahoma state legislature. I spoke in this wonderful old hall, in the legislative building, legislative chamber, it was great. But I was to be sure, no matter what they asked me, guns? I never heard of them. So there was a lot of humor like that. But I worked on a lot of members of Congress, I enjoyed that, I just did.

Riley: The social aspect of it also involved here? Tickets to the Kennedy Center and things of that nature, or is this too big a matter—

Altman: First of all, the Clinton White House wasn’t really oriented to that. I think the days for that have largely passed, I don’t think members of Congress care much about that. The social side of it had almost nothing to do with it.

When we then proceeded on NAFTA [North American Free Trade Agreement], which was the next very dramatic moment—

Young: Could I ask one more question?

Altman: I just want to make one point. In the last 48 or 72 hours, because that vote was also a cliffhanger, although not as close. It was a few votes, not one vote. There were deals being cut like crazy, deals on tomatoes, deals on Florida citrus. Everything imaginable. But that’s what Congress guys wanted. They didn’t want tickets to the Kennedy Center, they wanted—I want this for my tomato farmers, or I want this for my citrus growers. They were cutting deals like there was no tomorrow.

Riley: By that late stage of the budget battle, all the concessions and fine-tuning that could be made to the bill had already been done, so you had a package at that point that wasn’t going to be reopened.

Young: Two questions, one of which was minor. Did Senator [Edward] Kennedy figure at all as a help or a hindrance or what in the budget battle, he wasn’t really a key player?

Altman: He was not, no. And the reason he wasn’t—nothing to do with Senator Kennedy himself. The key players turned out to be the so-called “blue dog” Democrats. In other words a handful of conservative Democrats whose votes we had to have because we had no Republican votes. Senator Kennedy was for it from day one. That was great. And there were obviously a whole host of people who were against it from day one and you weren’t going to change anybody’s mind in the latter category. So the swing votes were the object of our attention.

Riley: In that regard, I would guess that your background on Wall Street was a big help in terms of talking with these members and having a rapport with them that they would feel comfortable with?

Altman: Yes, because obviously I was seen as somebody who had business credentials to some degree, conservative credentials, by Democratic standards at least. Yes, it was a help.
Young: When concessions needed to be made, this was before you get up too high, Russell referred to the point that deals had already been made. How were those dealt with, the decision to make a significant concession in the bill?

Altman: It just depended on the size of the concession. Oh, in the bill itself?

Young: Well, I was thinking of both actually, but in the bill.

Altman: Let’s divide concessions into two: actual changes in the bill, and then offering a Congressman something in another area to help make it easier for him to vote for this. On changes in the bill, unless they were truly minor, those were deliberated at the highest level. Any meaningful change in the bill, particularly if we’re talking about the last month or two, was only done with the approval of the President. Now, they’re sometimes minor changes that don’t require that, but any meaningful change in the later stages required the President’s approval. The President was all over this. He knew every comma and apostrophe in the bill.

Concessions involving individual members of Congress could often be done at a lower level, depending on the magnitude of the concession. “We’ll help you over here—” We didn’t have to have the President do every one of those.

Burtless: Rather than ask about the mundane, I think it makes sense to go right to the next dramatic thing. He had just made it through this cliffhanging vote on which the administration’s credibility for the next several years, I think, would largely depend, and it depends on the support of overwhelming shares of Democrats in the House and the Senate to get through. The next thing is a free-trade agreement, which I think the President could have dodged, he didn’t have to go all out on that. It was after all largely negotiated by his predecessors, and yet he took a big gamble on that one, too, and that’s sort of a kick in the midsection to a lot of his Democratic supporters.

Altman: Well, it was also a surprise to many in the administration because the truth is, the fight over the economic plan took every ounce of energy that everyone had and attention didn’t really turn to NAFTA until that was over, and that was over in August. As I remember the NAFTA campaign was kicked off only a month or two later.

Riley: That’s correct.

Altman: So, in August whatever it was the final vote was cast and the economic bill became law—well, with the President’s signature it became law—we didn’t really know what we were going to do on NAFTA. Or I’ll put it another way—we didn’t know where the President was on NAFTA on that day. I know I didn’t and I was very involved in trade policy as a whole because much of our trade policy involved Japan and I was very involved in that. Most of the trade was being handled by what was called the NEC [National Economic Council] deputies, which is the Deputy Secretary level of the NEC. But I didn’t know where the President was on NAFTA.

Burtless: Do you think he did?
**Altman:** I don’t know. But I think one misunderstood aspect of his embracing NAFTA was—at that point he was being widely criticized for lacking in principle, lacking in conviction, a weathervane all over the place politically. I think part of him saw an embrace of NAFTA as an opportunity to reestablish that he was a person of conviction, that he wasn’t just in the pocket of the old traditional Democratic constituencies, wasn’t just a tax-raiser and spender. I think he saw the political opportunity presented by that in addition to the basic merits of NAFTA. In retrospect, I think those are the two main reasons he embraced it. But it wasn’t clear that he was going to do so until not long before he did.

**Riley:** Were you involved in discussions at this point about what would be next in the queue for the administration, because there were some other—

**Altman:** Yes, there was a big debate about whether it should be healthcare or NAFTA.

**Burtless:** But he did give a big speech about healthcare before NAFTA came to a vote, right, as I recall?

**Altman:** Yes, actually there was a big debate about healthcare, welfare reform, and NAFTA.

**Riley:** Right.

**Altman:** I was exposed to that, but I didn’t have a particular say in it.

**Riley:** Can you tell us about his decision-making process on this? Help us understand why he would elect to move NAFTA at this point?

**Altman:** I’d have to do a little homework. I’ll give you an answer but I’ll preface it by saying I’m not sure my memory is quite right here. For a variety of reasons, I don’t think he had the pure luxury of just saying, “Let’s do NAFTA a year from now.” I think that had to do with the actual signing of the treaty—

**Riley:** I think you’re right.

**Altman:** —and the period of time during which—there’s a window during which it had to be submitted for a vote.

**Burtless:** Well, it was supposed to become the law of North America on January 1st, wasn’t it? I think—

**Altman:** There was some action forcing the schedule and the President would have had to ditch the treaty, just say, “I’ve decided I’m not for it.” So he didn’t have the luxury of saying, “Let’s do it a year from now,” as you often do with other things. That was a factor. Actually the bigger debate was over what came after NAFTA, welfare reform or healthcare.

**Riley:** Did that debate begin as early as August?
Altman: Yes, to some degree. There was concern that we had already spilled an enormous amount of blood on the economic plan. There was a concern that we’d spill all the rest of our blood on NAFTA and have nothing left.

Burtless: But the burden of my question was it would be a lot of the people who’d voted for the economic package that you’re putting in this position, right?

Altman: Although the President really thought he could convince more Democrats of the merits of NAFTA than he ultimately did. He thought he could win over the majority of the Democrats, for example in the House, on NAFTA. He didn’t, but he thought he could. So he didn’t say, “I know I’m going to lose all these folks, but I’m going to do it anyway.” He said, “I know this will be hard, but I think I can get those folks.”

Burtless: He must have had enough of a political antenna to realize this was going to be a tough call in a Democratic constituency in Pennsylvania or Michigan—

Altman: Yes, but I don’t think he thought it was going to be as tough on the Democratic side as it turned out to be.

Riley: May I ask you if a part of the political calculus at the time was, We’ve just come through a bruising battle with no Republican votes, we’ve got to do something to reach out and to reestablish better relations with a party that’s not going anywhere over the next year, probably for the rest of the Presidency?

Altman: No.

Riley: It was just something he had to do.

Burtless: He got Republican ex-Presidents to sign on, though, as I recall.

Altman: There was also a very memorable event that was held in the East Room of the White House, and recall that within a week or two of this event, Clinton’s own position on NAFTA was still up in the air. We assembled Carter and Ford and George H. W. Bush, and various other luminaries, Jim Baker, [Henry] Kissinger and so forth, to project a bipartisan front on NAFTA and Clinton gave the speech of his life. He gave the best speech I, at least to that point, had ever heard him give, and I think almost everyone in the administration who was in the room felt the same way. It was the best political speech, with a couple of exceptions, I’d ever heard, which prompted a wonderful comment from former President Bush, who then came to the microphone and said, “Now I know why I’m on the outside looking in.” That was a wonderful comment. But Clinton really got into it. Once he decided he was for it, he really got into it. But that moment was quite amazing. It was an astounding speech.

Then we put on our battle armor and went back into battle.

Riley: You were responsible for organizing the war room—
Altman: No, no.

Riley: You were not responsible—

Altman: I was not. The chief, the captain of that ship with Mickey Kantor, USTR [United States Trade Representative], and to some considerable extent Ron Brown, Secretary of Commerce, and Lloyd Bentsen played a big role in it. I was very involved in it but I was not…spending probably two-thirds of my time on it.

Riley: Did the portfolio members that you were approaching on NAFTA change from the work you were doing—

Altman: Sure, because you always focused on the swing votes.

Burtless: Do you think that making this effort was driven by foreign policy considerations first and foremost, or was it genuinely an economic policy?

Altman: Economic policy.

Burtless: Really?

Altman: Lets face it, NAFTA has worked. NAFTA has been successful. There was, I can’t remember exactly, but we had some innumerable number of economists of all stripes and persuasions in favor of this. It had a very different constituency than the economic plan. The economic plan was, to some degree, controversial from the beginning because of the tax increases and some feeling that the deficit reduction was unnecessary or could be counterproductive.

NAFTA had much broader support among the so-called or self-styled elites, the business leadership, all the economics community, the foreign policy establishment. But the main argument was economic. And trade was one of Clinton’s priorities and of course NAFTA was followed by a series of other trade agreements, GATT [General Agreement on Tariffs and Trade] and so forth. So the question in part was: Are you going to really drive forward with an aggressive trade agenda for this administration or not? Because if you decided not to go on NAFTA you really couldn’t ever go back and say, “I’m a pro-trade President.”

Burtless: The reason I posed the question the way I did is that since World War II there’s been bipartisanship in Presidential leadership on free trade. I mean, maybe Reagan was to some degree briefly an anomaly, although he never had the reputation of being an anomaly, and so I wondered if the President, as Commander-In-Chief, also responsible for foreign policy, viewed this particular policy in that light too. This is just a tradition—

Altman: The answer is, in my view—this is just my recollection now, other people would have a different one—was economics first, foreign policy second. Keeping in mind that with the exception of labor, which is a heck of a big exception, all of the powerful economic groups in the
United States were for it and Clinton had just gone through a bruising battle where many of them were on the other side of him. So if you want to call it the politics of the economy—

**Burtless:** The labor unions were overwhelmingly opposed—

**Altman:** That’s true.

**Burtless:** I don’t think there were any—

**Altman:** But therein, to some degree, lay the opportunity for Clinton to re-establish his credentials as a man of conviction.

**Riley:** Were you at all involved in the development of the side agreements on environmental issues and—

**Altman:** I was often at the National Economic Council meetings that deliberated on those. I wasn’t directly negotiating them.

**Riley:** So essentially you would not have been involved in any of the crafting, I guess, you basically were given an agreement and it was a question of just lining up the votes at this point.

**Altman:** No. You're referring to the environmental and labor side issues.

**Riley:** Right.

**Altman:** There were so many exceptions and carve-outs and so forth from the final bill that you couldn’t count them. Mexican trucking, citrus, tomatoes, I’m not joking. There were probably 25 major separate deals negotiated to win the passage. Mexico was looking for the freedom for its trucks to cross the border and continue to deliver in the United States. Our labor leadership did not want that, especially of course, the Teamsters.

As I remember, we gave that one to labor as a way to try to ease the pain, even though NAFTA called for that to happen. Then, while the agreement called for there to be no further duties or tariffs or anything on everything, a whole variety of items were carved out in order to get certain votes. Those carve-outs were all done on a tripartite basis. They were done among the United States, Mexico, and the Congressional parties involved. We had to be sure Mexico could live with it.

**Riley:** If nobody else has any more questions about that, the other trade issue that you were greatly involved with that we touched on only once or twice has been Japan. I thought maybe we should step back and let you give us a more organized picture of what it is that you were doing with respect to U.S.-Japanese relations.

**Altman:** We came into office, the trade imbalance of payments deficit with Japan had risen to very high levels. There was a widespread sense that Japan was taking advantage of the relationship in various ways. For example, keeping its currency weak, not taking some of the
steps to improve domestic demand such that Japan could become a stronger force for imports into Japan, ironically some of the same issues that are just as present today.

The President made a decision he was going to—and he discussed this during the campaign at length—be more aggressive with Japan to have a fairer, more level playing field. Right off the bat in the administration, a group of us were deputized to try to lay the groundwork for a productive summit. It wasn’t as simple as that, lay the groundwork for a new agreement.

Riley: You had some experience with Japan before?

Altman: In business. I traveled to Japan a lot on business. So a group of us at the deputy level, Joan Spero, Charlene Barshefsky, Bo Cutter, me, who were the four senior members of that group, started entering into discussions with our Japanese counterparts. We wanted Japan to commit to rebalance the current account between the two countries, including committing itself to some pro-growth steps at home, and we wanted a specific agreement on autos and certain other things.

We made two or three trips to Japan and then there was the Tokyo Economic Summit—the G7 Summit in the fall of ’93 which happened to be planned many years in advance for Tokyo. So it became effectively a simultaneous multilateral and bilateral summit because it became the setting for Clinton’s direct discussions with the Japanese Prime Minister. There were so many different Japanese Prime Ministers in that period I can’t remember which one we had at that moment.

Of course we learned quickly that these were really difficult negotiations. It was hard to make any progress at all because the Japanese really didn’t want to agree to any of this. But Clinton did care quite a bit about it. I think our administration tried, as hard as it was possible to try, to change the dynamic of the U.S.-Japanese trade relationship. Did it succeed? A little bit. The reason it didn’t succeed a lot more than that is because it’s really macro factors that drive this. I mean, the reasons why Japan has had such difficulty in terms of its domestic economy are not reasons that an agreement with the United States is going to importantly affect, no more than our signing a trade agreement with Japan that committed us to try to do more at home to pump up our economy would be a big element in whether we did or didn’t ultimately see economic growth here.

But there sure was a lot of effort going into it. A lot of time of the National Economic Council was spent on it. I should have said Larry Summers was an important part of that too.

Riley: You were in Tokyo when the President went over?

Altman: Yes, I went to Tokyo on that trip.

Riley: Do you have any recollections or observations about the President in that environment? You’d seen him working with domestic policy issues and with members of Congress and support here. Was this your first opportunity?
Altman: It was Clinton’s first, if I recall correctly, major international summit. Not the first time he met with another head of state, but I think his first summit outside this country. As I say, it was sort of a double-barrel summit. You had the bilateral talks with the Japanese and the G7 format. He had a great time. He really enjoyed it, stayed up every night till four in the morning, and believe me, I know that because I was going to his room at three in the morning with these various wordings. We were negotiating a national agreement with the Japanese.

Riley: He was working that long or—

Altman: Yes, he’s just that way. Of course, we were in a different time zone, 12 hours different. But yes, we had meetings in his hotel room at three in the morning. Of course, the fact of a summit means you have to have some agreement, and we had an agreement. It was an all right agreement. It wasn’t a great agreement. Japan accepted a series of goals that we wanted them to accept, but the teeth, in terms of enforcement, weren’t there.

Riley: Did he interact comfortably with the other leaders at the summit?

Altman: Yes, he did. He did quite well. Clinton loves meetings like that. Ironically, Clinton’s style for those meetings and the style of the present President are not very different. In other words, Clinton believed that he could charm anyone if he wanted to and Bush believes the same thing. Clinton had his own style of charm and Bush has a little bit different style, but not very different. Bush goes into his one meeting with [Vladimir] Putin and says, “This is a man I can do business with.” Well, how do you know? “That’s how I feel about it.”

Clinton’s that way. You know, Bush’s approach to international diplomacy is, “Here are my buddies”—all of whom he seems to nickname. Of course he has those who get invited to his ranch and those who don’t. But it’s not too different from Clinton’s style, very personal, very, very personal.

Riley: That raises the question then of the people he was meeting with here. Which did he bond most closely with and were there instances where there were tough nuts for him to crack? Did you ever get the sense that there were some people who mystified him?

Altman: Not particularly. We had a chronic problem with Japan because they had so many Prime Ministers. I’m not joking. In the first two years of the Clinton administration, they had about four Prime Ministers, pretty hard to get anywhere in that circumstance. Every time they had a new Prime Minister, we had a new set of characters. The first summit was easy; there were no huge international tensions. It was a bit of a love fest. It was easy. Japanese discussions were harder, but the G7 summit was fine, it was easy. That was a period during which [Boris] Yeltsin was just coming onto the stage. I don’t believe Yeltsin attended the summit, but there was a lot of focus on Russia and what the G7 could do for Russia at that summit, so it was all kind of nice, uplifting stuff.

Burtless: Did you have a sense on the Japanese policy that we actually had a policy or that we had something that was in lieu of policy? I mean, we had these discussions, we had these ways to
measure progress and so forth, that sometimes alarmed economists in the United States because they seemed protectionist.

Altman: I would say we had a definite policy, we just didn’t achieve too much of it. We were very explicit. For example, out of that Tokyo summit, bilateral summit, Clinton, [Kiichi] Miyazawa, or whoever the Prime Minister was at the moment, came a commitment from the Japanese to lower their current account deficit from what I think was 2.5 percent of GDP [Gross Domestic Product] to less than 2 percent. How can you get more quantitative and specific than that? They just didn’t do it. Eventually they did, but it wasn’t because of this agreement, big macro forces had them do it. But that was about as specific as you can get.

Burtless: You could have something like the Paris agreement in 1985 when there was coordinated strengthening of the European and Japanese currencies and weakening of the dollar. I suppose you could have strengthening of the yen, coordinated G7 action to do that.

Altman: Yes, we could have had that. But the two major currency accords, the Plaza Accord and the Louvre Accord, were done in times of crisis in the foreign exchange markets.

Burtless: I know.

Altman: We didn’t have a crisis in the foreign exchange markets. We did have goals. Secretary Bentsen took a lot of heat not long after being sworn in saying he’d like to see a stronger yen, and that touched off a lot of controversy. In any event, we didn’t have a currency crisis at the time of that summit, or really didn’t have one until the very middle, latter stages of the Clinton years. We had a bad one against the yen when the dollar touched an all-time low of 80 yen. That was the all-time low for the dollar. It occurred around ’96, ’97, but in the early stages of the Clinton years we didn’t have a currency crisis. Doing concerted, multilateral action of the type you’re referring to is really only appropriate in the midst of a crisis.

Burtless: I agree, but it’s still a policy.

Altman: Yes, but typically you wouldn’t resort to that with relative stability in the exchange markets, and we did have relative stability.

Riley: Were there follow-up meetings with Japan that you were involved in after the summit?

Altman: Yes.

Riley: Anything of note there?

Altman: We just kept the pressure on the best we could. In part, there was a sectoral approach. We had an autos task force with certain members of the Clinton administration and certain Japanese counterparts on that. We had a macro economic task force. We had a couple of others. There was a lot of effort and a lot of meetings. In retrospect, a limited, very grudging change.
Burtless: Was there awareness at that time, I mean, in the perspective of 2003, I recognize the world looks different. But was there any perspective then that in fact, the Japanese economy was weak relative to the other G7? I mean, I could imagine that in your tenure, the perception might have been quite the reverse, but I don’t know.

Altman: The Japanese economy was relatively weak at that time although it was in perhaps the first third of its now 12-year, or 14-year slump after the Nikkei peaked at 39,000. I can’t recall what year it was but it was in the late ’80s, and now it’s seven or eight thousand, actually up toward nine, but has more or less slid ever since. So Japan arguably has been in a 12- or 14-year slump, but at that time the weakness in the Japanese economy was seen as just cyclical, not structural. Today it is seen as structural. But part of our efforts were to get the Japanese to agree to certain pump-priming measures at home to lift domestic demand, increase the Japanese demand for imports, and better balance the current account relationship.

Burtless: They have made changes in policy, it’s not as though they’ve stood still. Do you think any of those are due to the sort of pressure—

Altman: Sure, but I don’t feel we can claim tremendous credit for much of that. I think the Japanese have ultimately realized it’s in their own interests to make a lot of these changes. At the time we were working on it there was a sense on the Japanese side that it was a zero-sum game.

Burtless: We had had recent experience in which the President of the United States took very strong actions against the Japanese, with these agreed-upon quotas for U.S. exports, exports in autos to the U.S., I don’t quite remember how long—that was negotiated certainly over the wishes of the Japanese but less than ten years—

Altman: We were tough on them on autos. I’m just saying the Japanese side very much viewed it as a zero-sum game, therefore anything we got was, from their point of view, giving up something. They were taking, to some degree, a thousand-year view. Pretty difficult to make major progress in that context. I think we made some, but it was grudging and limited.

Riley: Were there other international issues that occupied your time at Treasury, significant slices of your time?

Altman: No, the rest of those were really in the purview, in the ambit of Larry Summers.

Riley: I want to come back to something that we had touched upon earlier, and that was this question about the administration’s prioritizations, because you had suggested that there were some internal discussions, even at the time that NAFTA was taken on, as to what to do next. Once you get NAFTA behind you, my guess is that there were further discussions at that point about what ought to be next and this is when healthcare becomes a priority. Can you tell us a little bit about the process of making healthcare a priority? You had been asked to be a part of that enterprise—

Altman: No, let me just correct the record. Yes I was asked to be part of that enterprise, but much later in the process. I was not involved in the decision as to the sequencing of healthcare
versus welfare reform. I don’t know this, but I suspect that was decided largely between the President and Mrs. Clinton. Healthcare got the nod. Once she was put in charge of it, it obviously had tremendous internal focus. There ensued a quite Byzantine process, as has been so widely written about with multiple task forces and enormous numbers of people involved. There were a lot of these Bill Clinton-style meetings, great big long meetings with far too many people in the room.

Riley: With the President or with other—

Altman: Sometimes without him and sometimes with him, but if Mrs. Clinton was there, everybody else was. The process was really quite intense and they were taking on a task that was utterly immense, a much bigger one really than the economic program, and came forth with a plan that was revolutionary, but whose revolutionariness doomed it.

I was the senior Treasury person day-in, day-out on the major healthcare task force that Mrs. Clinton herself chaired. Then later in the process I was asked if I would go do a war room for healthcare of the type we did for the budget. That was quite a bit later. So I spent a lot of time on healthcare.

Riley: Can you tell us about how that unfolded, your perceptions of Mrs. Clinton’s role in all of this?

Altman: I have always liked Mrs. Clinton and I had a lot of respect for her and do have a lot of respect for her. None of the aspects of her role bothered me at all. I was not one who thought the whole idea of putting the First Lady in charge of this was somehow unsound and I always had good relations with Mrs. Clinton, so we communicated pretty well. But there was a divide, so to speak, in the administration between those who felt that we should try to remake the healthcare system in this country in one fell swoop and those who felt we should pursue an incremental approach.

Not at the outside, but eventually, I came into the second camp because I began to understand the scope of the issue. I didn’t have a background in healthcare of any kind, and I began to see that it was overloading the circuits to try to do as much as some wanted to. But that battle was resolved in favor of the revolution, the most sweeping alternative, and I don’t really have a lot to add beyond what’s been written. I’ve read a lot of what’s been written about the healthcare plan, it’s all there. The ultimate plan was way too complicated for the Congress and the country to grasp and understand and soberly assess. There weren’t many people in the administration who fully understood it.

Ira Magaziner himself, whom I had known for some time, was a gigantic intellect. I mean, wow, but an odd personality. So Ira was, to some degree, as you’ve read thousands of times, off in the corner doing this whole plan. Most of the people who’d been involved in the economic plan or NAFTA for example, weren’t part of that. They weren’t really involved in the doing of the plan. They’d review it and you’d go to a meeting where you received a 900-page memo, three quarters of which you didn’t understand. The President was in a tough spot because he was hearing from
a lot of people that the effort was too ambitious, but on the other hand, Mrs. Clinton was in charge of it. In a curious way he’d compromised his own position.

Burtless: He created a big expectation with that speech that he gave I think in the fall of 1993.

Altman: Yes, but even more than that, it’s one thing to say to your Secretary of State, at this time Warren Christopher or Madeleine Albright, it’s another thing to say to your wife, “I don’t like it.” It’s not as easy. So, to some extent, the President had put himself in a tough spot. And the difficulty became quickly evident once the program was laid out.

I started doing a lot of the same thing I’d done on the economic plan: radio shows, television stuff, running around the country. Within a month, I remember vividly one day, I had seven radio shows. You know, you call in for five minutes apiece and they’re all lined up. It’s actually enjoyable, it’s fun. I took an hour plus to do this. The questions from all these different parts of the country—Oregon, Louisiana, Michigan—were all the same. Why does the government want to take over the healthcare system?

Of course I would say we’re not proposing to take over the healthcare system. But it was quite obvious that we’d lost the battle. That day I knew we were headed for defeat. Because the opponents had succeeded in changing the question, or framing the question, however you want to put it and that had taken hold in the country and the perception across the entire country, from North to South and so forth, was that this is nationalization of healthcare, which nobody in the United States favors. So I knew we had a problem.

Bentsen had told me from the first moment this thing was going nowhere. He told me that at the very beginning.

Riley: His reasoning being?

Bentsen: “I know the Congress and the Congress isn’t going to buy it.” It wasn’t as simple as that. He would explain to me the problems with the particular pieces, but—

Burtless: I don’t know if you had to be Bentsen, did you? If you look at the history of American reform, at that scale of change, usually you have a little bit more consensus than a 43 percent electoral—

Altman: There were, however, many people who thought, I would say this was the majority view: we’ll ask for this, we’re going to end up with this. Bentsen said, “You’re going to ask for this, and you’re going to get this,” meaning that. He was quite in the minority at the time. I thought, All right, we’ll get half a loaf.

Burtless: But the program wasn’t structured that would give you half a loaf, was it? It was sort of all-encompassing. That was the fundamental choice they made in devising the reform.
Altman: Everything is susceptible to being phased in, to being cut back, to being pilot-programmed. You can do all kinds of approaches to anything. In the end the answer was no, nothing, period.

Riley: Never got to a vote.

Altman: No, it never got to a vote. I didn’t think it was going to be that bad. I have to admit I didn’t.

Riley: I suppose the problem that the administration confronted was that it was far from being budget-neutral. It was a very costly enterprise upfront and, as I recall from testimony we had from others, there was a big problem in that whatever savings would have been recorded as a part of this enterprise had actually been absorbed into the earlier budget deal.

Altman: Well, that was just one of the many fatal diseases that this bill had. But it coincided, I think more importantly than that, with the onset of huge political problems for Clinton in the context of Vince Foster, Whitewater, and the entire beginning of that. Those things were at a peak in ’94, just at the time healthcare was on the table. His popularity had sunk to low levels. That was all part of the same ultimate mix.

Riley: You had been designated the chief operating officer of the RTC [Resolution Trust Corp.]?

Altman: That was an unfortunate choice.

Riley: How did that come about?

Altman: Actually it was mundane. During the transition period the question was, “Who are we going to nominate the head the RTC?” which was a separate agency and Presidential appointment. Bentsen had known the then head of it, Albert Casey, who’d been chairman of American Airlines, and didn’t have a high regard for him. Casey came to see Bentsen and essentially asked to be reappointed and Bentsen told him, “No.” Casey resigned and it was vacant.

We had so much going on that Bentsen asked me if I would just, on an interim basis, serve as interim chairman of the RTC. Not giving it a lot of thought, frankly, I said, “Sure.” I should have realized I was stepping into a potential mine field but I didn’t, although I do have to say that I called my lawyer and asked him if there was any reason I shouldn’t take this and he said, “Yes, there are about 200 reasons.” I took it anyway. That was a bad mistake.

We then embarked on a search for a candidate and give or take three or four months later found one who, ironically, was a Republican. We nominated this guy, thought he was quite capable and in one of the wonderful ironies of Washington, the quixotic ironies of Washington, the Democrats defeated the nomination. President Clinton, Democrat, nominated a Republican to this job and the Democrats defeated his nomination. That happened, I want to say, late ’93, that his nomination was effectively killed. It was killed when Senator [Donald] Riegle, the chairman
of the Banking Committee, announced that he would oppose it, so that was the end of that. We went back to square one.

So I ended up serving in this job for 12 or 13 months, and I had a very disciplined approach to it. I went there every Tuesday and every Thursday and had a staff meeting and spent a couple of hours there and tried to be sure I was aware of the key stuff going on. But, first, right at the outset, it was a terribly flawed idea to have a full-time member of the administration serving also as the head of an independent regulatory agency and that should have dawned on me in the earliest going, just the inherent conflict there.

Riley: You would have thought Senator Bentsen would have felt that way also, unless there was an assumption that this was literally going to be a few weeks’ time.

Altman: There was. I mean, I have no reservations about when Lloyd Bentsen approached me, I think he thought it was just going to be very brief and we’d send some name up and it wouldn’t take long to get that name confirmed and I might end up spending two or three months doing this. Just be sure it doesn’t collapse during the interim. But anyway, in retrospect it was a very bad idea.

A lot of people didn’t realize and I didn’t entirely realize the regulatory responsibilities of the RTC at the time. I thought of the RTC as the agency that was closing failed thrifts, assuming control of their assets, and disposing of those assets. I had really not fully ever grasped from my Wall Street days, that there was a great big regulatory side to it including enforcement side, where the RTC was also charged with pursuing investigations against former thrift officials and ultimately prosecuting them if circumstances warranted. That was not well known to me at the time. But, in any event, everything was going fine at the RTC until, unfortunately, the matter of Madison Guaranty came up.

Burtless: Why was that a federal regulatory issue? Wasn’t that a state-chartered institution?

Altman: I think the answer to your question was, “Yes, it was,” but the RTC was charged with the responsibility of cleaning up all S and Ls [Savings and Loans].

Burtless: Regardless of—

Altman: Yes, I believe the charter of the RTC transcended whether it was a state chartered or federally chartered S and L.

Riley: Because of the guarantees.

Burtless: Well, the guarantees were not Federal if they were state chartered.

Riley: Is that right, okay.

Burtless: Those were state charters.
Altman: But in any event, Madison Guaranty had failed. Of course it was a very small kind of backwater type of situation, not a big one. But there was the issue of the Clintons’ association with it and the fact that Madison Guaranty had made loans to the actual Whitewater Development Company, and the question of whether those loans had been made under pressure from the Clintons and in fact whether [James] McDougal, who ran it, had defrauded the depositors in cahoots with the Clintons.

What specifically arose was that the statute of limitations on any prosecution involving the failure of an S and L was about to expire. I believe it was a five-year statute of limitations and the expiration date was January ’94 or February or something like that. The Republicans in the Senate especially, led by Senator [Alfonse] D’Amato who was Chairman of the Banking Committee—no, he was ranking minority member, became Chairman after the election of ’94. They began to mount quite a drumbeat of Republican outcry to the effect that it was the responsibility of the RTC to unilaterally extend that statute of limitations on the theory that it would be wrong to let the Clintons off the hook, and the RTC had the power to do that. No, I’m sorry, it didn’t have the power to do that, but there were ways of achieving that outcome.

Then ultimately, to give you a sense of how colorful this became, D’Amato went to the Senate floor and he had a gigantic calendar the size of this wall and was marking off the days. Each day he’d give a speech and mark off a day, counting down the days to the expiration of the statute of limitations and saying these people at the RTC damn well better be sure that justice is served, the Clintons aren’t off the hook.

Well, I got briefed on it and basically, two points here: one is the chairman of the RTC whether it is me or Mr. Casey or the people before him, never were briefed on, exposed to, involved in, or otherwise saw anything at all about the investigations the RTC was pursuing. They just didn’t come to the Secretary, to the Chairman of the RTC, no more than investigations being pursued by the Bureau of Alcohol, Tobacco, and Firearms, or the Secret Service or what have you come to the Secretary of the Treasury. The Secretary of the Treasury is not regularly informed of investigations that the Secret Service is doing, unless there’s some special emergency reason to do it.

So I served in that job for give or take a year, and I never had a single meeting on an investigation nor did any of my predecessors, just wasn’t done, wasn’t necessary, and so forth. But the presumption was that the head of the agency of course did know that. So I knew nothing about the substance of the Clinton case. Nothing, zero, never did, never would have. But I was briefed on the procedures the RTC had to follow here.

The RTC had to choose between allowing the statute of limitations to expire; filing charges, criminal charges; or, as often happens, entering into a so-called tolling agreement, where if you’re the party under investigation, you voluntarily agree that the RTC can circumvent the statute of limitations because you believe that if they have more time they’ll ultimately decide to exonerate you and you don’t want them to be forced to make a decision about filing or not filing charges.
By the way, in any matter where the statute of limitations was about to expire, there was nothing specific about the Madison matter that was any different. I started getting inundated with letters from Congress asking how the RTC intended to handle this, stirred up by this Republican campaign. I started having to respond with a standard boilerplate response to the effect that the RTC has these procedural options and we were choosing among them. It was a very simple letter that was done up for me and I sent it to everybody saying, “Just so you know, the RTC has only these procedural options in matters like this, and we will be reaching a decision on which of them to do before the statute of limitations expires.”

I then had the brilliant idea—I’m saying this, obviously sarcastically, that I should inform the White House what those procedural alternatives were. I couldn’t for the life of me see why that was a problem, but anyway, I went to the White House and told Bernie Nussbaum, the White House Counsel, just how the RTC actually operated in these matters. Again, I knew nothing about the substantive investigation. That wasn’t a very long meeting.

I also told him, which was quite a mistake, that I was thinking about recusing myself from the case because I realized that there was such a conflict here between being a member of the administration on one hand and being a Federal regulator on the other. I should have said I was either going to or not going to, but anyway—So that meeting came and went and at least nobody at the Treasury thought much about it. Secretary Bentsen didn’t know about it but a lot of other people did, and nobody paid much attention to it.

Then about three weeks later I was testifying as a regular matter on the RTC, I guess it was semiannual oversight hearings on the RTC, and Senator Gramm or Senator [Chris] Bond, Senator Gramm I think, asked me if I’d had any contact with the White House about this whole matter. I said, “Yes, I had this one meeting,” and told him what it was. This giant controversy erupted over that. Actually, as often happens in Washington, accounts of that testimony appeared in a lot of newspapers and mostly on page D20. The New York Times put it on the front page and this giant controversy erupted.

The presumption of course at the beginning was that I knew what the substance of the investigation was, or what the actual issues were from an investigatory legal point of view, and that I had conveyed that to the White House, which was impossible by its turn, absolutely impossible, but in politics that’s not often the important thing. And it was just fuel on the already roaring fire of Whitewater.

You may remember that a few weeks earlier, only two or three weeks earlier, the Clintons had finally caved and agreed to the appointment of a special prosecutor, having opposed that, and Mr. [Robert] Fiske was designated. So anyway, within a few days, all of us who had anything to do with the RTC from the point of view of the Treasury were subpoenaed by Fiske. To make a long story short, of course we all hired lawyers and so forth and we were brought before a grand jury. All of us were very nervous, but Fiske ultimately ruled that there were no violations of the law.

There was also a whole series of other investigations undertaken at the same time, one by the Office of Government Ethics, one by the Treasury Inspector General, one by the Office of White...
House Counsel. So there were four, Fiske and the other three, and they all came to the same conclusion, and the latter three also addressed the question of whether any of the government ethical guidelines had been violated and they all concluded no, they hadn’t been. So we had no legal violation and no ethical violation and I had come to the conclusion that this thing was over. That was in July or June or something. But unfortunately the real show was about to begin, which I didn’t realize, which was the Congressional hearings.

So the Congress decided to hold hearings on all aspects of Whitewater and, as everybody remembers, everyone from Maggie Williams to Harold Ickes to everybody had to testify. Erskine Bowles had to testify and so forth. My testimony was rather a highlight of that. I think I testified before the Senate for about thirteen consecutive hours and six or eight hours on the House side the very next day. We’ve all seen this happen often in Washington. The political process requires an outcome. I don’t really think Whitewater, at least this part of it, was terribly different from some of the other such situations that we’ve all seen, whether it’s the John Tower hearings or it’s Bert Lance or whatever it is. It became obvious to me that it was just untenable to keep trying to shout into this hurricane.

It’s a matter of record that I was not asked to resign, but Bentsen, a couple of weeks after the hearings were over, asked me, “What do you really want to do?” I remember that very vividly, and I said, “I want to do the honorable thing.” That’s just exactly what I said. Those are my exact words. I said to him, “If I should resign, then that’s what I want to do.” He said, “It’s up to you.” But I interpreted that to mean, “Maybe you should,” because I felt that if he thought I shouldn’t, he’d say so.

So I said, “Well then, that’s the course I’m going to take.” That was on a Friday evening. The hearings ended around the fourth or fifth of August and it was now the seventeenth or something. The following Monday—I was out West actually—I flew back to Washington and I believe I resigned on Wednesday. Bentsen also wanted the resignation of the Treasury General Counsel, who resigned too. Of course, during earlier phase of this, Bernie Nussbaum had resigned, mostly over the fact that he met with me on this original matter.

I left the Treasury about a month later when my successor Frank Newman, who was then Under Secretary for Domestic Finance, was nominated and had been confirmed. I moved over to the White House, was given a strange assignment, which was to go run this thing called the Summit of the Americas which occurred in December of ’94, which was this meeting of literally 35 heads of state in Miami for three days to talk about why you would have a hemispheric free trade agreement. It turned out that the thing had really been left by the wayside and there was very little of the necessary planning that had gone into it and it was about two months off. That was just an amazing experience. Somehow it came off successfully in Miami with all these heads of state and everybody was very happy with it.

I worked in the White House another three or four months, worked on, for example, the bailout of Washington, D.C., and then the passage of the new control board type legislation and then my kids got out of school in June. I left the White House around April, took a couple of months off, and went back to New York.
Young: You referred earlier to the cycles of political partisanship, policy issues. I began to see on pickup trucks around Charlottesville, very soon after Clinton became President, “Impeach Bill Clinton” and I don’t think—I remember “Impeach Earl Warren” signs, I’m that old. But I don’t think I’ve ever witnessed, I can only call it a hate campaign, or feeling of hate I guess—whether it’s a campaign or not I don’t know—but this intense animosity to Bill Clinton and to Hillary Clinton. She figured in some bumper stickers also. It’s very puzzling to me how that could happen when the man had such an obvious gift for feeling people’s pain and a very strong public presence.

I attended the little thing at Monticello when he was on his way to be inaugurated, the first time he stopped by in the bus. The feelings of people along the wayside were just very endearing. Do you have any—you were sort of one of the casualties of this campaign, but was the Whitewater thing separate from this hate stuff?

Altman: No. I mean, after all, Whitewater ultimately amounted to nothing. If Whitewater occurred today or there was some like set of issues surrounding President Bush and his past, I don’t think there’d be a single hearing about it. I think it’s a combination of several things. This won’t help you because it’s not very original, but there’s something about President Clinton that had the effect of rubbing salt on a wound as far as his opponents were concerned. They weren’t just opponents, they were angry and intense opponents and vitriolic opponents. We can all speculate. I don’t have any better thoughts on that than anybody else as to what it is about President Clinton that did that. Many people consider him, many of his opponents considered him to be setting new heights of insincerity and to have misrepresented a lot of his past. They especially resented the role that Hillary played.

It’s interesting too at this very moment with her book having just come out to watch some of the tapes being played on television about some of her own moments. She herself has expressed regret over them. You know, she made comments like “I could have stayed home and baked cookies but I decided to be a real person,” which served to severely antagonize a lot of traditionalists. So I think you had a President who was seen as very slick—and he had that reputation before he became President—and then this upsurge in partisanship generally.

While most of this was extreme and unjustified, President Clinton played a role in it himself. President Clinton, in retrospect, his disavowals on some of his private life were almost certainly false and the way he handled the Lewinsky matter was about as bad as it could be because he essentially swore before the American people that he didn’t do it, and of course then recanted. So I think Clinton’s own behavior did play a role in it and that in retrospect there would have been better ways for Clinton to have dealt with some of these things. He just determined each time that what he had to do was get through this chapter and somehow live to fight for the next one and didn’t take the longer view.

Whether his actual conversation with Dick Morris about the Lewinsky matter is true or not, would the American people accept an apology? Well, I don’t think they’d like it. I guess we have to just win then. I’m not sure that’s true or it isn’t.
Young: Although the Whitewater event came well before Lewinsky, it came very early. Did it come out of Arkansas? Did it come from D’Amato, or what?

Altman: You know, there’s another element of this. For one reason or other, Clinton developed some very powerful antagonists in the press, most notably Howell Raines of the New York Times editorial page, and the New York Times treatment of Clinton became a virtual industry unto itself. The Times, which is typically, of course, a Democratic-leaning paper, was Clinton’s severest clinic throughout his whole Presidency, and on Whitewater went crazy.

I don’t think that’s a very good answer to your question, but I don’t think I have a better one.

Young: Well, maybe it’s not answerable.

Riley: The difficulties that you had were primarily generated by Congressional investigators then, rather than the independent counsel.

Altman: Oh yes, sure. I was completely—clean bill of health from the independent counsel. By the way, when the three-judge Washington panel that chose Fiske threw him out and replaced him with [Ken] Starr, Starr went back to the beginning and went over the entire thing again and came to the same conclusion. So Fiske came to the conclusion that nothing had happened, Starr came to the conclusion nothing had happened, and certainly, if he could have found anything, I think he would have been motivated to push it.

The Office of Government Ethics came to its conclusion and the Treasury Inspector General as you know is an independent party and came to the same conclusions, the White House counsel came to the same conclusion. They all came to the same conclusions. There were no violations of ethical guidelines, there was certainly no legal violation, and that proved to be pretty meaningless in the context of the uproar. But it’s there on the record; everybody can read those reports.

Riley: Did you have to retestify when Starr took this over?

Altman: I did, not before Congress, before the grand jury.

Riley: Before the grand jury before Starr, and how was that experience?

Altman: Well, I don’t recommend you have that experience, but once you’ve done it, you know what it is. You wouldn’t choose to go before a grand jury instead of, say, going to Yankee Stadium to see the Yankees play—At that point I was already out of the administration and I had no real concerns. I mean I hired really good lawyers, and they told me pretty early in the process that on the substance there was no issue, that you have to worry about the fact that in this country prosecutions can become very political, but they just didn’t think that it was much of an issue on the legal precedence and the substance. So by the time I had to do it again I wasn’t particularly concerned.
Riley: I raise the issue because I think there’s an extraordinary difference in contemporary politics without the existence of that, without the fact of an independent counsel lingering over an administration’s head, and you obviously having had some experience with this would be able to testify to infractions.

Altman: Yes, but the independent counsel is not a Clinton-era novelty.

Riley: No.

Altman: I referred to the Bert Lance affair when I was serving the Clinton administration, and in that case the controller of the currency, who is an independent regulator, was charged with looking into it and delivered a report that ultimately proved to be Bert Lance’s downfall. So he performed a similar role. Then there’d been prior independent counsels. Unfortunately, during the Clinton era ultimately there were four, five, or six independent counsels chosen to look into Bruce Babbitt and Ron Brown and some of the other people.

Riley: I wasn’t making a distinction between Clinton and his predecessors, but rather making a distinction between Clinton and his successors since there won’t be any more—

Altman: Well, it can be revived at any time, the Congress can just vote to revive it. The independent counsel statute had, if my memory serves, expired during the Clinton first year, then was revived, and then was allowed again to expire. So it could be revived again tomorrow.

Riley: Do you think it will be?

Altman: Oh, I’m sure at some point it will be.

Riley: Oh really.

Altman: Oh sure, sure, we’ll have another major Presidential uproar. If we have another Iran-Contra there’ll have to be an independent counsel, there’d have to be. I can even imagine an independent counsel of some kind being unlikely, but not impossible, designated in the whole weapons of mass destruction issue. So I’m sure there’ll be another independent counsel. You might call it something different.

Young: We might have a thousand independent counsels operating under the freedom of the press, investigations.

Riley: Are we missing anything in terms of your responsibilities? Did you do anything else? Were you consulting with the President occasionally after you left Washington and came back to New York?

Altman: No. I was often, or at least periodically, talking to members of the administration but not to the President. I talk to the President now from time to time with some frequency. The only other observation that just randomly runs through my mind is, I was always described in the press as an intimate of Clinton’s and that was just not the case. I suppose everyone has his own
definition of intimate, but by any standard I’m familiar with, I was not an intimate of Clinton’s. I don’t know who was, and some people say there weren’t any, but I wasn’t, even though I was always described that way, always baffled me.

Riley: Is he somebody who, from your perception, makes close friends at all?

Altman: No, he doesn’t, not in terms of the way I would define close friends, genuine friends. No.

Riley: This is probably an unfair question, but I’ll ask it anyway: did you know enough about his relationship with Hillary to know whether the political dimension was at work in his—

Altman: I didn’t. I mean, I saw a lot of the two of them and I became quite friendly with Hillary, and by the time I left the administration was actually much more friendly with Hillary than I was with the President, even though ironically I’d obviously known him first. To this day, I have a much closer relationship with her than I do with him. But I really could never figure that out.

Riley: What political or personal characteristics does she have that he doesn’t have, what does she bring to the—

Altman: There’s an interesting difference that always has struck everybody who’s watched it up close, which is that she inspires fierce loyalty and he doesn’t. You look at the turnover that she had—or in her case did not have—on her staff, and the turnover that he had. You look at the relationships he ended up having with a lot of people that he was initially close to and were central to his administration, whether it’s George Stephanopoulos or whoever else it may be.

She inspired, continues to inspire, fierce loyalty and he doesn’t. It’s quite a difference and I ascribe it to the fact that she does not look at the world as, or at least in my experience, as solely and only politically. She wears her heart on her sleeve much more than he does. Less and less now that she’s her own public figure, but that’s her nature.

Whenever the times got tough or after they left or whatever it was, I think a lot of people who left the Clinton administration lowered themselves by their own behavior in terms of lesser loyalty than they should have had.

Burtless: Speaking out of school? Talking out of turn you mean?

Altman: Disrespecting the President. I mean, it can be in private, it can be in print, it can be any other way. I have a very old-fashioned view about that. You’re serving your country. President Clinton gave you the opportunity to serve your country, it’s a privilege to serve your country. Whether you had disagreements with him or not, or felt warmly or less warmly toward him or not, he gave you the opportunity to do it, whether you’re a Cabinet officer or anybody else. You’re only there because he allowed you to be, and you owe him a debt of gratitude for that because without him no service, and without service your life is less. So people should think of it in those very basic terms, and a lot of people haven’t and I think less of them for that. I really think it’s just that basic.
Burtless: You say he didn’t inspire fierce loyalty amongst a lot of his subordinates, but interestingly, I think a lot of the senior Cabinet members lasted a long time, I mean, they stayed for much—Donna Shalala was Secretary for eight years, Rubin was in for a long time, given the fact that his family didn’t move to Washington. So he got people to serve for a long time, even if they were not intensely loyal to him.

Altman: That’s a different issue. If you’re Secretary of X, it’s pretty easy to become quite happily accustomed to the perquisites of that. Stay as long as you can figure out how to cling to it. Three-quarters of the people who go into the Cabinet never want to leave it, it’s great being a Cabinet officer.

Burtless: But the turnover is pretty high.

Altman: It is high, because the toll it takes on your life is high and you either run out of money or you just burn yourself out, or you get separated from your family, or whatever it is. But an awful lot of people love being Cabinet officers and leave only most reluctantly. So the fact that a variety of people serve a long time, there’s nothing mysterious about that, that had nothing to do with Bill Clinton. I think Henry Kissinger would still be Secretary of State if people had allowed him to be, whatever he thought of who he was serving.

For example, during the Lewinsky matter, the airways were filled with former Clinton officials expounding their views of President Clinton’s foibles and why he might have done this and this and that. Very, I think, untoward behavior, myself.

Riley: The disappointment was expected—

Altman: You never saw, one time, Bob Rubin do that, not one time, after he left. You never saw it. Bob Rubin never uttered a single syllable except of friendship and support of President Clinton. He has his own views in private, of course.

Young: Who was that you just mentioned?

Altman: Bob Rubin. I could have mentioned a lot of other people, but I’m just saying, I don’t think that when President [George W.] Bush—I don’t think that as people leave the Bush administration, they’re going to do that. I don’t. I think Bush inspires greater loyalty than Clinton, just does. And I also think that there’s a certain sense of loyalty among the people that are currently serving in this administration, which is more in keeping with tradition, than the Clinton folks, or many of them I should say, brought to it. Because I think if you serve an administration, and you then decide to comment in some form or other, including in private, about the President and he’s got these problems, or he’s screwed up in this way, you’re just lowering yourself.

Riley: Sure. Some of that’s a function of, for lack of a better word, the culture within the group of people who worked in this administration, so that there is no penalty paid, in effect, among
your former colleagues for being outspoken or saying something in the press critical to the President. Is that a fair assessment?

Altman: I’m not sure anyone is ever going to pay a penalty in American society for that type of commentary.

Riley: More in terms of ostracism from your former colleagues.

Altman: Could be. That ostracism certainly hasn’t afflicted the Clinton alumni. It should have, but it hasn’t.

Riley: I’ve been struck on several occasions in response to questions, you’ve referred to historical patterns and trends. How do you think Clinton ultimately is going to be read by historians, this Presidency?

Young: Or should be, not will be, but should be.

Altman: Those are two different questions, I’d rather answer the “will be” question. I don’t know whether his Presidency will be seen as one of the most important or transformative in American history. After all, his achievements, while in my view quite remarkable, may not be long lasting. Obviously he balanced the budget, now it’s unbalanced. So the fact that if we were sitting here in 2053, that a President 54 years ago balanced the budget wouldn’t mean a heck of a lot to us, right? Most of us can’t name the last President who did balance the budget. So that, despite the extraordinary achievement it really was, I think may be seen by history as a small achievement.

Then the reality is, it seems to me, that most Presidencies, I’m sorry, great Presidencies, are forged in crisis. If you think about who are almost universally considered the three or four greatest American Presidents, they all faced enormous crises, of course Lincoln, [George] Washington, FDR [Franklin Delano Roosevelt] and so forth, and Clinton didn’t. It’s possible that President Clinton rues the fact that 9/11 didn’t occur on his watch, because it was a transforming crisis and did transform, at least to date, the present President. But absent such a crisis, history tends not to treat you as a great President. If you can think of a great President, a President who is seen as really great, who didn’t have such a crisis, I’d like to hear it, because I don’t think there is one.

Riley: Theodore Roosevelt’s name comes up occasionally as somebody that even Clinton himself had at least a temporary fixation on when he was evidently considering his own legacy as some one who took a progressive era, being a kind of rough approximation to the—

Altman: Well, Theodore Roosevelt is a fascinating President, mostly by dint of his gargantuan personality and the way that he bestrode the country like some titanic figure. His Presidency itself I think was a very strong one, but it doesn’t make it into the top five or six. That’s just the way history works. At my son’s school, on the floor where the history department is, each President gets a little tiny picture and about two lines. I don’t think this is what it really says, but I suppose in the distant lens of history, Ronald Reagan ended the Cold War. Abraham Lincoln
saved the union. Richard Nixon resigned from office. TR, extraordinarily colorful President. Bill Clinton, by that one- or two-line standing, may not make the cut for the top tier. He may be forever seen in the middle. There have been a lot of great American Presidents. After all, John Kennedy is seen in the middle by historians.

Riley: What ought the two lines to read?

Burtless: Except by the general population.

Altman: But by historians. I’m thinking of what historians will say.

Riley: What should the two lines be?

Altman: I would say presided over, I’d have to check the statistics, but probably the greatest period of economic prosperity in the entire century, or ushered in the greatest period of prosperity in the entire century. And presided over eight years of peace.

Riley: Let’s recast the question a bit. I take these observations, very astute observations, from people who live in this discipline. What are the lasting accomplishments, the lasting legacies of this administration, regardless of whether the historians are going to pick up these strains as being historically important or flamboyantly important enough to elevate Clinton into an upper-echelon Presidency?

Altman: First of all, Clinton—and I consider this a very important historical achievement, we’ll see how it lasts—may turn out to have transformed the Democratic party. Certainly, when he captained it, it was a different party than it had been for the previous 50 years. He moved it to the center, made it the party of fiscal responsibility—whoever would have believed that?—and enabled the party to shed much of its old baggage.

There could be a lot of backsliding on that, we’ll have to see. But I think he may turn out to have transformed the party, which really is an important historical achievement. I think any President who is either fortunate enough or skillful enough to preside over a period of peace, at least as far as American soil and American forces are concerned, deserves credit either for his good luck or his skill. I consider that another important legacy, since not that many Presidents of the 20th century have it.

We’ll see whether it lasts or not, but I think Clinton changed the dynamic on worldwide attitudes toward trade opening, and turned trade from an obscure issue that few people in the country paid any attention to, into an important issue and an acceptance of the notion that lowering barriers to trade led to prosperity. Those would be the main points I’d mention.

Riley: Education might be something in terms of opening—

Altman: I don’t include that on the list because the federal role in education is always exaggerated. This is a bit of an anecdote, but of course Joel Klein served in the Clinton administration. He’s chancellor of the Board of Education of New York, he’s a good friend of
mine, and I had dinner with him about a month ago and I said, “Does it make any difference who
the President is as far as you’re concerned?” and he said, “No.” The Federal Government doesn’t
have much of a role in education. I think it counts for four, five percent of the spending.

**Burtless:** Welfare reform is a different issue, though. That’s one where the Federal role is much
bigger and one of the things we didn’t discuss is why the administration did not latch onto that
early on, even though the President was on the populist side of reform.

**Altman:** I don’t understand the question.

**Burtless:** Well, health insurance reform was going to be very complicated, no matter how you
cut it, because 85 percent of the people are already insured and only 15 percent are not, but
welfare reform is something where huge numbers of people have opinions, even though they
don’t collect welfare.

**Altman:** What’s the question, why didn’t Clinton embrace welfare ahead of healthcare?

**Burtless:** Well, we were talking about lasting changes. That certainly, in terms of social
assistance to low-income working age people, that was a transformative administration.

**Riley:** I would actually like to hear you answer that question too. We touched on this at a couple
of points but never directly asked you whether you thought the President—

**Altman:** I’m a little too close to this, because I’m not sure how history will view it. Perhaps
history will give Clinton credit for having been the man who made welfare reform happen. But
when you’re in the administration—I mean, as you well know, there are many on the more
liberal side of the Clinton alumni who think the administration basically adopted the Republican
position on welfare reform and that was what enabled it to happen, and anybody could have done
it and Clinton doesn’t deserve a lot of credit for it. There are many people in the administration
who don’t like the welfare reform that was ultimately signed, believed that Clinton ultimately
turned centrist on the issue and anybody could have done that and once you did it as a
Democratic President, you were going to have welfare reform.

**Burtless:** As a Democratic President however, he could have vetoed the bill and it would have
been sustained by Congress.

**Altman:** I’m just saying that I’m a little too close to it because I recall so many of those battles,
and I recall so many people feeling that, as you remember, the administration, in some form or
other, lost three times, and each time came back with a more conservative version. So two
points: one, I support what the President did and I think he deserves a lot of credit for it. It’s not
clear to me however that history will accord him that credit. There are too many people in his
own administration, at least at the moment, who think that all he finally did was succumb to the
Republican position, and anybody who wore a D on his shirt and supported the Republican
position could have brought along enough Ds to make the bill happen.
So if you survey the 50 most senior people who ever served in the Clinton administration, about 25 of them will say welfare reform was a great triumph for the President, about 25 of them will say he just caved. I’m in the first camp, it was a great triumph, but I’m not sure that history will accord him that.

As far as healthcare versus welfare reform? I think Clinton authentically saw healthcare as more important, believed it was a bigger national problem, and thought he was tackling the bigger of the two. I also think Clinton knew he was going to go up against some of his oldest allies, whether it was Marian Wright Edelman, whomever it was, in terms of welfare reform, and was prepared to do it, but wasn’t really looking forward to it.

Young: I was just going to make an observation about history, historians and non-historians who study Presidents past and present. The great Presidents that you mentioned, the ones that loom large, as you said, are all “crisis Presidents.” I’m not sure it makes entire sense, however, to judge or to assess a President’s contribution by the standard of those who are given, in effect, a free gift of power to deal with a crisis. Under the normal circumstances, like Clinton’s, they have considerable difficulties in an adverse political environment to get anything done, and that is the more normal historical situation. Against that test, a noncrisis Presidency, what can they achieve, under the extremely adverse politics of this time, that’s been building up. I think Clinton will come out pretty well.

Altman: I hope he does. I certainly have every reason to want him to. I don’t think he’s going to make it into the pantheon of heroes, as I said. And I don’t accept entirely your formulation, even though I think there’s a lot to it. I don’t think it’s wholly right because—and this may sound strange coming from me—President Reagan I think will be seen very favorably by historians, mostly because he’ll be seen as the man who ended the Cold War, and Reagan didn’t have to take the position of aggressive anti-Soviet behavior, but he did. He could have been all rhetorical about it. But in retrospect he basically decided in his simple-minded way that he was going to grind the Soviet Union right into the dust, and he did. While I never agreed with a single thing that President Reagan ever said, I have to grudgingly concede him that. It was a voluntary choice. It wasn’t going to be a war between the United States and the Soviet Union. He could have just been rhetorically difficult about it and kind of accepted the fact that we’re steady as she goes on the Cold War, and he didn’t.

Young: [Mikhail] Gorbachev was an enormous free gift to Ronald Reagan.

Altman: Sure. But why was it bloodless? One of the reasons it was bloodless was because the Soviets knew what they had and didn’t have and what we had and they didn’t have. I’ll never forget, it was just a few days after the election and Carter, of course, had been beset by the Iranian hostage crisis and the failure of Desert One and so forth, the rescue effort. Carter had chosen, as you remember, to somehow find a diplomatic solution to that crisis. He had tried to offer every imaginable olive branch to the Iranian leadership.

The election occurred and about a week later Reagan was getting a haircut in California and he came out of the barbershop. There had been some minor event that day and he was asked what he thought of the latest developments in Iran and he said, “I don’t talk about barbarians.”
I’m convinced to this day that sent a bolt of electricity through the Iranians and they figured they better not hold those hostages one hour into Ronald Reagan’s Presidency, and they didn’t. I was there to the last day of the Carter Presidency, and all of a sudden we were able to negotiate the release of those hostages. Why? Because they thought, *If we hold those hostages very long at all after this man becomes President, we may be nuclearized.* That was pretty damn effective.

**Young:** We won’t get into a philosophy, an argument, about causation—

**Altman:** I think Reagan’s Presidency, a bit, goes against what you’re saying, that’s all. He was not confronted with a grave crisis, but I think history will treat him very well, because essentially—

**Young:** I think less well than he was treated while he was in office.

**Altman:** Well, we’ll see.

**Riley:** You’ve been good to give us so much time. If anything comes to mind that we haven’t talked about, that you’d like to have included—

**Altman:** I doubt it. The only thing that I’d like to leave this on in respect to any follow-up is this: If at any point you don’t think you have a clear picture of Lloyd Bentsen’s role, since he is not in a position to speak for himself, feel free to call me or talk to me further about that. I want to be sure that there is a clear picture of that because he can’t offer it himself.

**Riley:** I appreciate that and I think you’ve done us a big favor today by illuminating that.

**Young:** Lloyd Bentsen was the very first person we tried when this whole project started, on the urging also of Clinton’s people because of his age, and they didn’t know at that time that he was as ill as he was. Mrs. Bentsen responded.

**Altman:** I stay in touch with him. He has difficulty speaking. I can’t think of anything you didn’t ask me, or anything I didn’t say that I would have liked to have said, so with that exception—

**Riley:** It’s been a big help to us and again, we know how extremely busy you are.

**Burtless:** Before we close, I’d like to make one pitch though. Thomas Jefferson is under-appreciated as a President. [laughter]

**Young:** Was he a crisis President?

**Burtless:** That was the first time we had an opposition takeover. That was just how all Presidents should act. Might have been established by Washington. He’s the first guy who stepped in defeated.

**Young:** It was also in response to a crisis.
Altman: I disagree that he’s under-appreciated. I think he’s deeply appreciated. But I would also say he contributed to his own under-appreciation. If you go to Monticello, to his actual tombstone, then you know that he drafted his own epitaph: “Governor of Virginia, founder of the University of Virginia, and author of the Declaration of Independence.”


Altman: But it doesn’t mention that he was President. He does not see that as one of his own great accomplishments.

Burtless: His first term wasn’t so good, but his second term was wonderful.

Altman: I think John Kennedy’s famous line about Jefferson applies because he had nine simultaneous careers, and the Presidency was only one. Scientist, architect, botanist—