



EDWARD M. KENNEDY ORAL HISTORY PROJECT

INTERVIEW WITH STUART EIZENSTAT

July 26, 2007
Washington, D.C.

Interviewer

Janet Heininger

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TRANSCRIPT

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Heininger: This is an interview with Stuart Eizenstat. Tell me about when you first met Ted Kennedy. What were your first impressions of him?

Eizenstat: Our first encounters probably would have been over airline deregulation. He had brought Stephen Breyer, then a professor at Harvard Law School, down to help him with his administrative subcommittee of Judiciary and to find an agenda. Steve latched onto airline deregulation, which had also been a major issue for President [Jimmy] Carter in the '76 election. It was one of the issues that distinguished him as a New Democrat, one who was interested in market-based deregulation and a variety of other areas. So we met there. We can talk about the midterm Memphis convention in a different context. In my eyes, Senator Kennedy was already—and I was 33 at that point, I guess—a legend. His physical presence and his mastery of the details of legislation were impressive.

There was, in the Carter White House, a sharp division on Senator Kennedy, about how to deal with him, how to approach him. He obviously represented, and was the leader of, the liberal wing of the party, which had viewed Jimmy Carter from the start, during the Presidential campaign and thereafter, with some suspicion, because Carter was fiscally more conservative, although he was a social liberal. The predominant political camp—Hamilton Jordan and perhaps Jody Powell; to some extent, the President himself—viewed Senator Kennedy with some suspicion and concern as a potential rival even early on and as someone who did not necessarily share all of the President's agenda.

Some of the policy people—and certainly on the domestic side, myself—saw him as an important potential ally on areas like airline deregulation, trucking deregulation, welfare reform, and ultimately health insurance. We recognized that he was clearly more liberal than the President but that if we could make peace with Senator Kennedy, it would be good substantively in terms of advancing our agenda and good politically in blunting later opposition to the President's renomination and reelection. I certainly fell into that latter camp.

To move into the health insurance issue, you have to go back to the '76 campaign. Carter ran as the outsider, the insurgent, the anti-Washington candidate, the nontraditional Democrat. He

stressed fiscal responsibility, environmental issues, and was certainly strong on civil rights. He had an aversion to big-spending programs, in part because, as Governor, he had seen the government pass federal mandates without providing money to the states to fund those mandates. He also was generally a fiscal conservative. Not a scrooge. He believed in investments in education, he believed in job training investments, he believed in Head Start. But he wasn't a big-spending liberal. A lot of people in the Democratic Party anticipated that a Democratic President elected in '76 would revive the lost Great Society programs, which had been interrupted by Vietnam. That's not where Carter came from, and indeed, I think if it had been, he wouldn't have gotten the nomination and he certainly would not have been elected.

As we marched through the early primaries with an anti-Washington, integrity theme—"A government as good as its people," a fair tax system, integrity, "I'll never lie to you," the anti-Watergate candidate—and as we began to do better and better, the potential inevitability of a Carter nomination meant that the traditional interest groups in the party recognized that they were going to have to back Carter or be left out in the cold. They had tended to favor [Morris] Udall; they had tended to favor [Birch] Bayh; they had tended to favor Scoop [Henry] Jackson. Ted Kennedy, of course, wasn't running.

A crucial point for the health care debate occurred, I'm guessing, around May of '76. I have this in my records, but it was probably after we won the Florida primary and maybe after we won Pennsylvania. It may have been slightly before that time, but it was right around then. The UAW [United Auto Workers] was then the most progressive of the unions. It had the Walter Reuther tradition, and Doug Fraser was then the president, and Steve Schlossberg was the general counsel. At Doug's recommendation, Steve called me up—and I was the policy director for the campaign, both foreign and domestic, by the way—and he said that the condition of the UAW endorsing Carter was that Carter must come out for mandatory universal national health insurance. This was not easy for Carter to swallow, because he recognized the costs at a time when he was running as a fiscal conservative within a Democratic context—prudence in spending, spending only where you got a payback, and so forth. He gave me a short string with which to negotiate, and this became crucial later on.

There were a certain number of catch words that were critical to the UAW. I recognized early on—and I reported this back to Carter—that if we didn't endorse those key phrases, we would have no deal, but that I thought I could negotiate those phrases without committing ourselves to a specific plan at a specific cost and a specific timetable. The document that we came up with—which was probably in the form of a letter, but it may have been a white paper or a statement—wasn't long, and from our standpoint, that was the beauty of it. It came out in favor of mandatory, universal, national health insurance for all Americans.

We may have said—and I frankly would have to look back—"By the end of the first term." I'm not sure whether we said that. My thinking is that we didn't, but it's possible there was a general timeframe. But the question arose of how it would be funded, how it would be structured, how much private, and how much public. That later became the hospital cost containment program that Senator Kennedy supported, and that was an early point we were working on, that it had to be in the context of reform in the system in order to keep costs down.

Once we were elected, we had almost a two-thirds majority in both the Senate and the House—a strong Democratic majority and a Democratic President. National health insurance had been in every Democratic platform since Harry Truman. It was a key theme, a key belief of the party. A crucial decision and I think a crucial error on our part was that Carter made the decision to do welfare reform first. I don't want to get too far off in that direction, off on a case study.

Heininger: No, but that's a critical piece of this.

Eizenstat: In his mind, welfare reform meant changing the current system without spending any more money, or possibly even saving money. To liberals it means improved benefits, strong work-training programs, and spending more money. There have been case studies on welfare reform, and that's not the point here. The point here is that he chose that in significant part because as Governor he saw the effects of welfare, as Governors do. Governors administer the Medicaid program, and welfare is significantly—unlike national health insurance—a state responsibility—not totally but certainly significantly.

The second reason was he didn't have the gut feeling for doing national health insurance, because he wanted to balance the budget within four years. That was a key theme in our campaign, balancing the budget in four years. He was damned and determined to do everything he could to achieve it, and he knew that coming out with national health insurance would be the antithesis of that because it was going to be expensive.

We didn't get to national health insurance until 1979. Welfare reform floundered because people couldn't agree on what it meant. By 1979 the budget deficit had begun to rise, inflation had significantly increased, there were great concerns about spending and about the whole economy. The context was different. We had lost five or six Democratic Senators in the midterm election, significantly, I think, over the Panama Canal. We didn't have the momentum and the window of opportunity that existed in 1977. We had tried hospital cost containment and had our lunch handed to us by Democrats, including [Daniel] Rostenkowski, who was a key figure on the Ways and Means Committee. I can't remember if he was chairman of the relevant subcommittee at the time.

Heininger: Not yet.

Eizenstat: I think he was chairman of the Health Subcommittee. He was the key person. The American Hospital Association rallied against it. Senator Kennedy was helpful with that in fighting for us, but we ultimately didn't succeed. We were also in a much more highly charged political context, because at the midterm convention in Memphis in 1978—it was the first, and I think last, midterm convention, thankfully—Senator Kennedy, on the stage with me—and I think [Joseph] Califano may have been there too—

Heininger: He was.

Eizenstat: —and Kennedy gave his famous “sailing against the wind” speech—I think that was it; maybe that was the convention speech, but it was something like that—in which he attacked our forthcoming fiscal '79 budget as being essentially un-Democratic—cutting programs for

poor people, not addressing national health insurance. It was, in a way, the opening chapter of what later became his Presidential campaign.

Heininger: What was the reaction?

Eizenstat: It got a tremendous reaction in the convention. It stirred the delegates. It was beautifully delivered. I remember we were on a stage, and there were four or five people—Califano, myself, Senator Kennedy, and maybe one other person. It was supposed to be informal remarks, and I don't even think the topic was health insurance. It was more social, but it's possible.

Heininger: I think there was a health care workshop that he spoke at.

Eizenstat: Yes, it may have been the health care workshop.

Heininger: I think Califano had spoken first.

Eizenstat: He used this as an opportunity to give a much broader attack on the President and to rally the liberal wing of the party, which was disenchanted with Carter for his tight fiscal policies. We were in a position where we felt we had to be even tighter because of the looming inflation and rising interest rates.

In 1979 we had a vigorous internal debate on what our national health insurance program should be. Some wanted only a small incremental step, covering children or catastrophic. Others wanted—myself included, albeit phased—a broader health policy, as we promised in the campaign. But I recognized as well that we were in a different environment. We were in an inflationary environment. We had to be careful about proposing something that was going to be seen by the markets as inflationary and busting the budget.

We came up with a compromise, which I helped fashion. The compromise was that there would be a major down payment toward national health insurance, covering all children, and a catastrophic program for catastrophic illnesses that would deal in significant part with the elderly, but also for others who had catastrophic illnesses, and that that would help us get some of the liberals and more moderates and even people like Senator [Russell] Long, who had an interest in catastrophic insurance. But—and this was crucial—so that the promise of ultimately covering everybody was there, we laid out precisely the subsequent steps and timetables in which the additional universal coverage would occur.

The crucial issue, though, was—and this is where the economists and economic advisors in the campaign, and the people concerned with it in the administration and the people concerned with inflation, although we all were, who had doubts about moving on health insurance at all—to put in a Presidential discretionary provision so that you would not move automatically from one phase to the next. There were three phases ultimately: the first, which would be immediate, without discretion, and then the second and third phases, which would cover more and more people. The discretion was that the President would have to certify that economic conditions

permitted moving to the subsequent phases and that moving would not have a deleterious effect on the economy.

I began lengthy negotiations with Senator Kennedy and with Larry Horowitz, who was his health care aide, and I think a physician.

Heininger: He is.

Eizenstat: We met in the Senator's—we call it the “Washington hideaway,” the personal offices the Senators have in the Capitol.

Heininger: Yes, they're hideaways.

Eizenstat: It has an unsavory tinge, but they're just their Capitol offices as opposed to their offices in the Senate Office Building. Those offices—he was a senior Senator at the time—are beautiful. They're small but richly appointed, and the Capitol itself is just magnificent, so the ambiance was special. It was a small negotiation. I'm trying to remember whether Jim Mongan came with me on those or whether I did them myself. I think it may have been a combination. I had some negotiations with Larry and then some with the Senator, but we had many sessions. I'm guessing half a dozen.

The Senator agreed with everything—with starting with catastrophic and children, then moving to the second and third phases. What he couldn't agree to was he wanted, for understandable reasons, automaticity. In other words, once you pass the bill as one omnibus piece of legislation, with phases that would begin in specific years—phase two would come in X-year, phase three would come in X-year—without Presidential discretion. I have to say, the Presidential discretion thing is quite novel. It was unusual to have legislation where Congress would give the President the discretion to kick in a benefit that Congress had voted on.

This debate, in the context of a potential, looming Kennedy challenge, happened as Carter's popularity was dropping. Polls were showing that Kennedy would win the nomination if he ran. I argued with the political people—with Hamilton and Jody and Gerry Rafshoon and others—that the best way to forestall a Kennedy challenge was to agree with him on health insurance, because if we did, there would be no rationale for his running. This was the big enchilada. Many of the other issues were—mixing metaphors—icing on the cake, but the cake was national health insurance. That was the core. That was the big social program. That was the issue that the party stood for and that the liberal wing wanted.

There was a Labor-led outside coalition with which I met frequently. I can picture the fellow heading it, a very handsome fellow, but I don't remember if he was directly with the Labor movement or not.

Heininger: It wasn't Max Fine, was it?

Eizenstat: I think it was Max Fine, yes. What was Max Fine's position?

Heininger: He was the head of the Committee for National Health Insurance. He was the executive director.

Eizenstat: Yes, but was he directly connected to one of the unions?

Heininger: He had been brought in by Walter Reuther, so yes. He had originally been a journalist.

Eizenstat: Right. Max was, I have to say, a lovely guy. A nicer guy you wouldn't find—very pleasant, very bright, but even more unyielding than Senator Kennedy. Max wanted it all at once. Senator Kennedy was willing to take them on and to phase it over four years, six years. The main thing for Senator Kennedy was to lock the commitment in so that it couldn't be repealed. I argued that if we could agree with Kennedy on that, even if it extended over a much lengthier period of time, that it would take away the rationale for his running. Hamilton and the other political people, who always had a greater suspicion of Senator Kennedy than I did, said, "There's nothing that will forestall him. He's damned and determined to run anyway." They could also invoke the economists' argument of Charlie Schultze, Mike Blumenthal, and others that even if it didn't pass, just proposing it would undermine the President's credibility on fighting inflation.

We were caught in a vise between the economic forces that were not as evident in '77 when we could have done this thing. By '79 the economy had deteriorated. It was much more difficult to do, and those economic arguments were valid. Even if the spending didn't start until '81 or '82, proposing a \$60 billion program at a time when you were talking about fiscal restraint and fighting inflation and tightening your belt, was difficult to square. We were caught, again, in that vise. Notwithstanding that, I wanted an agreement, and it was, in the end, this discretionary provision that precluded it.

I'm convinced that when the negotiation failed, that convinced Kennedy that he should run and had to run. It wasn't long afterward that he did. No one can prove it, but it would have been difficult for him if we had reached an agreement. What rationale would he have had to run if we were working together on this program?

Heininger: There are many signs that point to him saying that the failure of Carter to enact health care reform was the reason he decided to run.

Eizenstat: Right. I would posit that with all the difficulties we had—the hostage crisis that came later, with inflation, with high interest rates—that it was the Kennedy challenge, splitting the party, that was certainly a significant factor, if not the central ingredient in all of this. It wasn't the single ingredient; there were the external circumstances—but it was debilitating, it was divisive, and it certainly was a factor in electing [Ronald] Reagan. It was compounded by Senator Kennedy's failure to embrace the President at the convention, both virtually and perceptually.

Heininger: Let's go back to the cost containment issue. What was the response from Carter's economic advisors to Kennedy's argument that until you get universal coverage, you can't get control of the funds, and you can't get cost containment until you get that?

Eizenstat: I think their feeling was quite the contrary, that you had to put that building block in first or else you were loading up a system that had runaway and spiraling health care costs. It would be loaded up with a huge new program without the structure to accommodate it, because there would be large cost increases with this. That was their argument, which was a reasonable argument, but I think, in retrospect, you need some sugar, and you can't just deal with things with vinegar. By having hospital cost containment standing out alone, without saying to people, "This is the price for having a benefit," you weren't able to mobilize all the forces, and the hospital association was able to pick things off and say, "Why should our sector be dealt with in this way?" and, "It will hurt the coverage of health care and compromise quality." I think that hospital cost containment was a good program, but it should have been put in the context of a benefit.

Heininger: What was the hospital industry's response?

Eizenstat: They vigorously opposed it, and Mike Bromberg, the American Hospital Association's chief lobbyist, mounted an effective attack. Even with a heavily Democratic majority, they were able to get people like Rostenkowski, through the Chicago hospitals, to oppose the President.

Heininger: Where were you on the decision to do welfare reform first? Where was Califano and where was Carter?

Eizenstat: Carter wanted it first. I think Califano and I wanted national health insurance first. I felt that although we hadn't gone into detail, we had made some pledges on health insurance. We had a window of opportunity for national health insurance. We had not given welfare reform much thought, nor had it been a central campaign promise to do welfare reform, and no one knew what welfare reform meant.

I remember a meeting in the Cabinet Room with Russell Long, who was then the chairman of the Senate Finance Committee, and he said, "Mr. President," in his colloquial way of speaking, "the kind of program that you're talking about, with increased benefits, is just giving more money to 'broodmares,' who are going to use it to have more children. We need to cut benefits." That was his idea of welfare reform. The liberal wing's idea was to add spending and to increase welfare benefits. The labor union's idea and Ray Marshall's was to create a large public jobs program. So even the liberals in our administration were divided.

Califano wanted a cash program. Ray Marshall, the Secretary of Labor, wanted a jobs program. We ended up with a mishmash in between. There was division even within the more progressive elements in the administration. The conservatives, such as Long, just wanted to cut benefits. There was no consensus on the issue, and its time hadn't come. [William] Clinton was able to capture that. It was a key issue after the Democratic losses in 1994. But we hadn't thought about

it during the campaign. It wasn't ripe. There wasn't a consensus on what it meant, and it was the wrong issue at the wrong time.

Heininger: What was Carter's idea of welfare reform?

Eizenstat: Carter's idea of welfare reform was the mandate that he gave Califano, which was reform the system, encourage work incentives, take fat out of the system, and make the reforms at "no new cost." That was the key phrase, which made Califano practically palpitate, the notion that you could reform the system at no new cost.

Heininger: It took another 20 years for the issue to ripen.

Eizenstat: Yes, it did.

Heininger: In the early days of the administration, what did you expect a health care plan would look like?

Eizenstat: We had been given, as I mentioned, a set of very general principles. I had on my staff—and he didn't come on at the beginning because he was working for Russell Long—Dr. Jim Mongan, who is now head of Partners HealthCare in Boston.

Heininger: We've interviewed him.

Eizenstat: Jim is fantastic. He's incredibly talented. He knew the politics of the system. He knew everything about the substance as well. It had to include children and catastrophic as the most politically sensitive. We didn't want a single-payer system. We couldn't take the whole insurance industry on, so it had to have a private component. It had to have incentives for small business to provide health insurance that they couldn't afford otherwise. There would have to be mandates for larger companies to provide the insurance on an employer-based system, and then children and catastrophic would be covered as a public program. Catastrophic would be an expansion of Medicare, and the children's program would be, frankly, like the SCHIP [State Children's Health Insurance Program] program that Clinton passed. It's being debated as we speak.

Heininger: At that point, you had moved from what? The debate had been under [Richard] Nixon, which had been pre-employer mandates, to an acceptance of employer mandates. At that point, I assume that you assumed that Kennedy would go along with the employer mandates.

Eizenstat: Yes, and he would. This is the thing about Ted that I think some of my colleagues in the White House didn't appreciate. He was fiercely determined to have this mandatory universal program, but once that concept was in place, he was very flexible on how it could be achieved—employer mandates, Medicare expansion, private insurance, expansion of public programs, phasing in over a number of years. It wasn't the Max Fine, big bang theory of doing it all at once and all through a Government-funded program. Ted was much more practical.

In the program that we came up with, by the way, which I think is fair to say—he can correct me if I’m wrong or Larry Horowitz or Jim Mongan can—we agreed on almost every detail of the plan. This was not just a framework agreement, going back to where we were in the ’76 campaign with UAW, this was really specific. Although it wasn’t legislative language, there were clear, specific proposals that would have made it simple to draft the legislation. It was detailed—who was covered, how they were covered, how employer mandates would work, how the funding would be done for catastrophic, how it would be done for children, children at what age, what income levels. We had it all agreed to, except for the crucial issue of automaticity between phases or Presidential discretion between phases.

Heininger: Here’s the key conundrum. National health insurance had failed under Nixon, and many look back and say, “If only we’d grabbed it then, we might have it now and be fine.” You get it under Carter, with both committed to national health insurance. As you say, a detailed plan on which there was agreement on how to go about doing it stumbled over one thing.

Eizenstat: Yes. This is not an incidental thing. The Senator and Max and his group—because I think Kennedy was perhaps envisioning a race, and he would need the liberal wing—didn’t want to compromise too much.

My recollection is—and this could be off by a substantial amount, but for some reason it sticks in my mind, if not in my craw—the first phase we were proposing, which was not discretionary, the mandatory coverage of children and catastrophic, was about \$17 billion. This would have been in 1981 dollars. We were debating it in ’79, and I think it was supposed to phase in. Think of where we would have been if we had enacted that program, even if it had had the discretionary phases in it. Here we are. This has been the dilemma, the people who want it all won’t compromise and they end up getting nothing. It happened again in 1994 in the Clinton Administration.

Ours is an incremental system of government. It’s only in rare circumstances—the Great Society, the New Deal with the Depression—when you can get huge pieces of legislation passed. We have an incremental system, and it’s a tragedy that both were committed, but by that time, things had become polarized. What would have happened if we had proposed that in ’77 in a similar way? Not clear. I don’t think Kennedy would have been happy, but my guess is he would have worked with us, he would have tried to take that discretionary provision out, and we would have gotten that first phase passed. I don’t have any doubt, with the Democratic Congress we had, with a new President, if that had been our chief domestic priority, we would have gotten it done.

Heininger: There are many who say the same thing about the Clinton plan, that if it had been done when he first came in—

Eizenstat: Yes.

Heininger: If it falls apart on the issue of automaticity, was this a difference that was truly irreconcilable?

Eizenstat: Yes.

Heininger: Why?

Eizenstat: Because from our standpoint, the discretionary piece was essential in order to show the financial markets that the President wasn't going to allow runaway spending at a time when inflation and interest rates and the budget deficit were all rising and when we were calling for fiscal constraint and cutting back on programs—revising our fiscal '80 budget to cut another \$10 to \$15 billion out after we proposed it. For Kennedy, with the Labor, liberal constituency, even if he believed that Carter would allow those phases, he had a legitimate concern that if a Republican came in, that would be the end of the program in terms of future phases. At that point, he was already seeing Carter weaken. Hamilton's argument was, "Why is Kennedy going to run? It's not over national health insurance. He's going to run because he thinks he can win. He thinks we're weak, and he has reason to believe from the polls that he would win. That's why he's going to do it."

Heininger: What do you think?

Eizenstat: My argument was that he wouldn't have a rationale, number one. Number two, this would boost our popularity and would substantially help us with the liberal wing of the party, where we were weakest. Believe me, I tried—again, we reached agreement on all the specifics—and in fairness, Larry and the Senator tried every kind of formulation on this discretionary issue. At the end of the day, you can bend the English language only so far. You come down to the fact that we had to have some breathing space between phases if the economy couldn't tolerate it—if, for example, costs exploded—not just the general economy. We didn't have hospital cost containment. We had no way of controlling costs. Kennedy couldn't tolerate that, partly for his own politics, partly because he's more liberal than Carter, and partly because of Max Fine's group. He was already distancing himself from Max's group by agreeing to phasing, by agreeing to employer mandates, and by agreeing to more of a private sector component. Kennedy could go only so far to cut himself off from his natural constituency.

Heininger: He was abandoned by Labor on the compromise over Kennedy-[Wilbur] Mills, but there are many who say that that was less of a factor for him, that the pressure that he was getting from Labor at that point was less critical than his assessment of the politics at the time that you're talking about, that his real worry was, if we don't do it—he was concerned about Congressional votes, not wanting to have—

Eizenstat: Multiple Congressional votes.

Heininger: —multiple Congressional votes. When you see what happened with catastrophic in '88, something that gets so quickly repealed—

Eizenstat: Yes, exactly.

Heininger: Were they both right?

Eizenstat: Each for their own reasons. Given where they were coming from, each in effect was right, but we had to look at it from a different perspective, from a broader perspective, from a

Presidential perspective of being stewards of the economy, which Senator Kennedy didn't. He had a more narrow focus on this program, and we had to take a somewhat broader perspective.

Heininger: How much of the decision was driven by Carter's concern about Kennedy's potential challenge to him?

Eizenstat: As I say, if in my estimation that had been his principal concern, then he would have agreed with Kennedy and taken the legs out from under a Kennedy challenge. That was my argument.

Heininger: What feedback did you get from Carter on that?

Eizenstat: He listened to the debate, and Hamilton was saying, "Look, Kennedy's going to run anyway. Why hurt yourself on the economic side?"

Heininger: Let's go back to when the principles were first announced. There had been discussion with Kennedy. How much discussion was there between Carter and Kennedy himself?

Eizenstat: None. Do you mean in '76 in the campaign?

Heininger: No, not in '76. When you get to '77, '78, when the administration, in this phase process of drawing up the plan, comes out with principles—

Eizenstat: Yes. There was a lot, absolutely.

Heininger: How much discussion was there between Carter himself and Kennedy?

Eizenstat: Very little. Maybe they had one meeting, but there was a lot between myself and Kennedy, Califano and Kennedy, myself and Califano. We had a regular domestic policy process, which involved OMB [Office of Management and Budget], the Council of Economic Advisers, Treasury, and the then-HEW [Health, Education, and Welfare]. It had an outreach to Long, who was interested in catastrophic, and to Kennedy. Kennedy didn't come into this just when we started our negotiations. He had been part and parcel of the whole debate. He knew the direction things were going. Califano, of course, wanted something closer to what Kennedy wanted.

You have to remember that Califano was President [Lyndon] Johnson's domestic advisor, my position with Carter. By the way, I was in the Johnson White House as a young kid. My first job after Harvard Law School was on the White House staff of Johnson, and I worked on the speechwriting staff, domestic messages, that reported in part to Califano. I already knew Joe, and Joe was one of the intellectual creators of the Great Society, and this was certainly a continuation of the Great Society program, particularly Medicare.

Heininger: Why did Carter let Califano go?

Eizenstat: Carter let Califano go not over national health insurance—and he did so over my extremely strenuous objections, by the way—but because Joe was seen as being disloyal in covertly—and in some cases almost overtly—lobbying against the creation of the Department of Education, because he wanted to keep the E in HEW within his ambit and didn’t want to see it as a separate agency. The President had made a decision, he’d heard all the arguments, and we got all sorts of feedback from the Hill about this.

My argument was, “Look, he’s a terrific Secretary. He’s probably gone off the ranch on this. You should call him in and tell him that, but don’t fire him. He’s very effective, very bright, and he is one of our few links to the liberal wing of the party. They trust him, and you’d be losing an effective Secretary and a symbolically important person to the liberal wing of the party.” It had nothing to do with health insurance. I think the other reason is that Joe has rough edges. I said to the President, “I’m the one who has to work with him. I can work well with him.” But he rubbed Hamilton and Jody the wrong way. Joe has sharp edges, sharp elbows.

Heininger: Do you recall a press conference that Kennedy gave a day before the announcement of the principles that the administration’s plan would be based on?

Eizenstat: You mean after the negotiations failed?

Heininger: No. This is prior to the negotiations failing. There are two phases, in one of which there was a discussion of principles.

Eizenstat: Yes, one was the discussion of the principles, right.

Heininger: The other was the actual plan later on.

Eizenstat: Right.

Heininger: There was supposedly a meeting on the 28th—

Eizenstat: This interagency process spent a lot of time on those principles. That was a benchmark.

Heininger: That’s what Jim Mongan said, that there was a discussion between Carter and Kennedy over these principles, and then Kennedy went out and gave a press conference with Labor leaders. Do you have any recollection of the press conference in which he condemned the principles as not going far enough?

Eizenstat: Yes.

Heininger: What was the response in the White House on it?

Eizenstat: We were upset about it. We felt that we needed Senator Kennedy in order to pass this. It was an opening indication that we were going to have difficulty with him. We had worked hard on these principles, and we had worked cooperatively with him.

Heininger: Why did the whole thing fail? Was it timing?

Eizenstat: It was partly timing. It was partly because by the time we proposed this, the economy had deteriorated. It was partly because Carter was more fiscally conservative and because he had concerns about a huge, new spending program without any cost containment included. It was partly because of Kennedy's Presidential ambitions. It was partly because Kennedy was more liberal than Carter, and this had been a key part of his Senate career.

I think he was upset that here he had a Democratic President and a Democratic Congress, and this was a window of opportunity that might not exist for many years, or decades even, if it didn't get done. So he had to push as hard as he could to get it as far as he did. I would have hoped that having done that and having gotten us to this big first step with the phasing, he would have declared victory. But I understood, because of where the Labor people were and because of his politics, why he couldn't.

Heininger: You remembered it all. Thank you.

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