WILLIAM J. CLINTON PRESIDENTIAL HISTORY PROJECT

INTERVIEW 2 WITH BRUCE REED

April 12, 2004
Washington, D.C.

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TRANSCRIPT

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Riley: It seems to me that during the first interview we got through the ’94 midterm elections into the early part of ’95, adjustments to the contract. So at least in terms of the timeline sequencing, what we’d want to pick up on is what’s going on mid-’95 through the end, picking up particularly with the shutdowns. One module we talked about dealing with—and maybe this is the best place to start—is welfare reform.

Reed: Okay.

Riley: You were actually working on welfare reform from fairly early on.

Reed: Yes. So why don’t I try to tell the whole story.

Riley: Okay, good.

Reed: Well, Bill Clinton’s interest in welfare reform goes back much further than my own involvement. He’d been doing it as Governor from just about his first term, I believe. It was one of the issues where he began to make a national name for himself. He was the lead person for the National Governors Association on the issue, and actually had a place at the table in the drafting of the Family Support Act, the welfare reform bill of 1988. So as he got ready to run in ’91, there was no question that that was going to be an important issue for his campaign. When he was going around the country for the DLC [Democratic Leadership Council] giving his stump speech, one of the most surprising things he said that caught audiences’ attention was that we should ask people on welfare to work and make sure they had the chance to do so, which caught a lot of Democrats by surprise. They’d never heard a Democrat say that.

When he gave his DLC speech at Cleveland in ’91, which helped him make his mark on the national scene, that was perhaps the biggest issue splash he made. When people first heard it they were taken aback, but the longer they thought about it the more reasonable it seemed because for 20 years Republicans had been making welfare reform an issue but not really doing anything about it. There was an opportunity to approach it from a Democratic standpoint that would blunt the longstanding Republican attacks that Democrats were somehow coddling welfare recipients. More important, it would be a new way to fight poverty.

As he would later say, he probably spent more time in welfare offices than anyone else who’d ever sought the Presidency, so he was able to speak about the issue in a way that shared the frustrations of welfare recipients and voters alike.

Riley: Was it the case that his experience in Arkansas in some way may have biased his perception of the problem? Some criticisms that I've read indicate that this is a guy who is coming out of a state that has a different kind of welfare-related problem than you would find in an industrial state, for example.

Reed: Certainly his first-hand experience with it was different than had he been mayor of New York City because the poverty in the Mississippi delta was of a completely different nature than the poverty of the South Bronx. But on the other hand, the great advantage of coming from a mid-sized to smaller state is that he was actually in the position to try things and not be completely overwhelmed by the problem. Over the years, welfare reformers had thrown up their hands because the scale of the problem seemed so daunting.

Pat Moynihan had sounded the alarm in 1965 about the rise of illegitimacy at a time when the illegitimacy rate was probably a third of what it was by the early '90s, and even then, people had thought it was too chronic a problem to deal with, particularly in the big cities where the big welfare populations were. It really became easier for them just to write people checks than do the hard work of finding them jobs or helping them become self-sufficient.

As Clinton learned in Arkansas, it's a lot harder to move someone off welfare than just keep them there. But if you could do that—if you could get them off of welfare—you could turn them into taxpayers. The story that he told more often than any other about welfare was one that he told again at the signing of the welfare bill in 1996, of a woman from Arkansas who had testified at an NGA [National Governors Association] field hearing. He said that when he asked her what was the best thing about being off welfare she said, "When someone asks my son what does your mama do for a living, he can give an answer."

What too many didn't realize and too few social scientists had come around to studying was just the deep frustration of people trapped in welfare themselves—that the fault was with the system, not with the people in it. If you're a Senator or an HHS [Health and Human Services] Secretary, it's just a lot harder to actually talk to a real person. But if you're a Governor in a state, and someone with Clinton's personality—he loved to drive to the delta, go to the small towns, go to places where they'd never seen a Governor before—I think he was able to get a different perspective than a lot of people for whom it was just politics.

So as his campaign began, we knew it was going to be an important issue, but he didn't have a particular proposal in mind. He'd figured out what his values were on the issue, but he had just helped write the last welfare reform law, so he wasn't quite sure what to propose and how to make it an issue in his campaign. We knew that there was an opportunity because as I said, Republicans had made so much out of the issue and had done so little about it. Bush, in contrast to Reagan or perhaps because of Reagan, had almost no interest in the issue. He was trying to make his mark as the kinder, gentler Republican, so he distanced himself from Reagan's critique of the welfare system. Reagan, for all his talk about the issue, hadn't done a whole lot. He'd cut welfare benefits and then signed a welfare bill, but it hadn't really been the centerpiece of his Presidency.

To us at the DLC, welfare reform was the best opportunity to outline the new social bargain that Clinton and the New Democrats had been working on. It was the ultimate combination of opportunity and responsibility. So we set to work trying to figure out what would be the most productive next step for the country. I guess sometime in 1990 and early '91, before we knew whether Clinton was going to run, we had kicked around ideas to put it at the centerpiece of the campaign. I'd made a list of ideas that we might try to inject into the campaign, including cutting 100,000 Federal workers, and community policing, and some other ideas that eventually did become part of the campaign.

I also had this idea that maybe people shouldn't be on welfare forever, that that was a failing on our part, and we should figure out some end to permanent welfare. So I filed that idea away. I didn't know enough about the subject to construct a full-blown proposal at the time.

When the campaign started, as I think we talked about a little bit before, we decided that our competitive advantage was that Bill Clinton had more ideas on more subjects and a clearer world view than anyone else, so we set up three speeches for him to give at Georgetown.

The first one was the New Covenant speech, where he laid out his social vision and laid out the new bargain of opportunity and responsibility. I can't remember if we talked about that speech before. I went off and was assigned the task of writing the speech, and I wrote the first draft of it in a hotel room outside Pittsburgh because we had to stay there for the seventh game of the playoffs. They lost the sixth and then they lost the seventh as well. That was on a Thursday. Then we drove back in the middle of the night to Washington. That Friday we had a conference call with political advisors [Stanley] Greenberg and [Frank] Greer and some others because I'd sent them a copy of the draft and they reacted.

We agreed that we needed more hard news in it to make the vision concrete, that we needed something newsworthy to say in the speech. So I remembered this notion that I had and suggested, "Why don't we call to an end for permanent welfare?" Now of course, the other people on the phone were all political consultants, so they were not hard to convince. They thought that was an excellent idea.

Riley: Because that's how they're differentiating the image of Clinton as a Democrat.

Reed: Yes. That was a way to make concrete the pledge that everybody ought to work. What we were really saying is that people ought to go to work, but we needed a dramatic way to say it. I worked on the speech some more and then the next morning, in the office—actually I think I'm off by a day because the pain of the baseball situation is even more pronounced than I said—it was Saturday night that we had that call. I know because I had tickets to game one of the World Series and I would have been in Pittsburgh at game one of the World Series if the Pirates had won, instead of on a conference call with some consultants on a Saturday night.

We had the conference call on Saturday night. On Sunday I was in the office. I went down the hall to see Will Marshall and ask him if he had any ideas on how to end permanent welfare.

He pulled a paper off his desk that David Ellwood had written about ways to time-limit the receipt of welfare benefits. Ellwood had written a book called *Poor Support* by then, and had become known for the idea of making work pay better than welfare and expanding the EITC [Earned income Tax Credit]. He was an influential thinker in New Democrat circles, although I'm not sure he would have wanted to be called a New Democrat himself. But he had outlined basically a pilot program to test what would happen if you limited welfare benefits to a period of 18 to 36 months for welfare recipients.

Will and I talked about it, and we decided that Ellwood's approach was solid but a little too nuanced for campaign purposes, and we couldn't find a way to dramatize 18 to 36 months, so we decided—how about two years? And that turned into the essence of the speech, ending welfare as we know it.

Riley: If I could interrupt—what you're trying to do, you've decided that the issue is one that would be good for you to insert in the speech. You're trying to find a defensible concrete proposal that you could tie this to.

Reed: Right.

Riley: A reader of the transcript could easily go back and find the speech, but just for my purposes, does he deal with details in this speech, or—

Reed: In this speech he said it's time to end welfare as we know it. Everybody who can work should go to work. We should give people all the education and training they need for up to two years, but after that everyone has to go to work. As in the Ellwood paper, it was essentially a work requirement that kicked in after two years, and the idea was to invest in people's abilities those first two years and also to help find them work, and if they hadn't found it then actually require them to work in community service or in a private-sector job.

Clinton of course knew Ellwood well from the Family Support Act and because David was not a right-wing hack, as he later called me in the *New York Times,* but a leading progressive thinker, this was a way to change the political paradigm without compromising our principles in any way. Clinton loved the idea.

Riley: Was there anybody pushing back at this point?

Reed: No.

Riley: So it's a winner as far as anybody who's involved in the campaign.

Reed: Yes, everybody in the campaign liked it. As I recall, I wrote a fact sheet for the speech. We went on to finish writing the speech, and I think I told that story before about—

Riley: Probably so.

Reed: It's the first big policy speech that Clinton had ever not done all by himself, and he worked very hard on it at the last minute as always. The only debate within the campaign was whether to spell out much background about what we were proposing, and we decided not to, just to go with Clinton's words in the speech and figure out the rest of the details later. The speech did take the political world by storm. Michael Barone wrote that it was the best political speech of the cycle. It set the tone for the rest of the ideas offensive that he went on to do that fall, and it ended up becoming the issue that defined him as a different kind of Democrat.

There was plenty of other supporting evidence. In contrast to [Michael] Dukakis he was for the death penalty; he was for 100,000 cops. He was for a middle-class tax cut. Welfare was the best example of what Clinton would prove to be a master of, of taking an issue that Republicans had demagogued for years and turning it into an affirmative, political, and substantive agenda for Democrats. It was not without controversy.

It wasn't much of an issue in the primaries. I mean it wasn't a divisive issue in the primaries. We discovered that when we talked to voters—and I understand Greenberg did surveys on a whole bunch of issues—he found that in contrast to what some elites thought, there was actually almost no difference between African-American opinion and white opinion on the subject, but African-Americans resented the welfare system every bit as much as whites did. In fact, people on welfare hated the system as much as people who were paying the taxes. The welfare system by that point had no defenders. Everyone could get behind the basic principles of work and supporting people who were earning it.

After we had the nomination, we ran into some of the resistance that we would encounter more of later. I was running the platform committee, and we had a bitter fight with Mayor David Dinkens and his staff over the subject. We thought the Democratic platform should reflect the nominee's agenda, so we insisted on that same language going into the platform, and they resisted. We were able to prevail, but it was a nasty—

Riley: You were on his home turf.

Reed: That's right, we were on his home turf. We actually had the battle before we got to New York, but that was an early example. Clinton was a different type of Democrat, but he hadn't brought everybody else along with him quite yet.

[redacted]

[redacted]

[redacted]

Riley: I don't want to interrupt your train of thought. Let me ask you this, given what occurs after the inauguration: Was there much discussion at this point about the priority that this would take within a new administration? Or are you so focused on getting elected at that point that you're not really overly concerned about this is going to be item one, two, or three on the agenda after we win?

Reed: My biggest concern was that I knew this was going to be extraordinarily hard. Clinton wanted to do it; it was the right thing to do, but there was no evidence that the rest of the

Democratic party, especially the institutional Democratic party, had any interest in doing it whatsoever. So in contrast to healthcare, where every Democrat had a different idea how to do it, but they all wanted to do it, this was an issue where we knew it was going to be a fight and we knew we'd have to work in a bipartisan manner to get it done because we couldn't get there with just Democrats. We also knew that this issue had been the Waterloo of many previous administrations. Welfare reform had been talked about for years, but it had been a disaster for [Richard] Nixon and for [Jimmy] Carter. Reagan had gotten a welfare bill, but it was not very effectual.

It was such a central issue to the campaign that I didn't worry about Clinton losing interest in it. I knew that it was a defining issue for him personally and he cared an awful lot about it. I was more worried about what we were going to do about the fact that the only allies we had were the American people and everybody trapped in the welfare system. But as I said, there wasn't much we could do in the campaign. We did go to see Moynihan, at his request.

Riley: This is before—

Reed: In the middle of that summer. He said he wanted to be helpful to the candidate, and he offered to introduce a bill to end welfare as we know it, and we had a very nice meeting on the subject.

Riley: I know.

Reed: Much later he got us into lots of trouble, but he also at one point dismissed the issue as "boob bait for the Bubbas."

Riley: During the campaign?

Reed: I think that was after the campaign. I think that was a year later. The Moynihan relationship is complicated and interesting.

After the election, I was helping to run the domestic policy transition and we put a small group together of Moynihan's top staffer on the issue—

Riley: Who was that?

Reed: Paul Offner and Jeremy Ben-Ami, who ended up later as Howard Dean's issues director, and we came up with—it was the hardest issue to put a concrete—because we put the agenda on the table ourselves during the campaign. There wasn't anything on the shelf—I mean, nobody in Congress—there weren't any bills that had been sitting around waiting for a Democrat to come and enact them.

Riley: You'd had the Family Support Act—

Reed: We had the Family Support Act.

Riley: Then in ’80—

Reed: It was ’88, and that was basically an education and training bill and they’d had a battle over work requirements, which they’d ended up deciding not to have much of. So in the transition we began to confront all of these thorny issues: Can you stay on welfare forever? Where do you find the jobs?

Riley: You’re staffing that effort yourself?

Reed: I’m helping. It was my favorite issue. We wrote a 15- or 20-page outline with the staffers I talked about. We proposed that Clinton set up a process to work it out with the NGA because we decided that they were our best allies in that this was an issue that many Governors had championed, and they were the ones who were going to have to end up carrying it out anyway. We recommended other things, increasing the EITC, and we basically had most of the answers we needed, but we still didn’t figure out a way to convince the Congress to want to do it.

Riley: At this point during the transition is there a sense that because it’s going to be such a hard thing to do, it needs to be really close to the top of the agenda after he’s inaugurated? Or is it more the case that this is something that’s just now germinating, we’ve got to have a gestation period before we can produce anything that’s going to be workable?

Reed: I think the problem was two-fold. First, the idea did need some gestation, and because we were going to have to put together a different kind of coalition and nobody in Congress had thought about the issues in this way, it needed to be at the top of the agenda because the administration was going to set its budgetary priorities and, as a consequence, its political priorities, right off the bat. So we needed to know how much it was going to cost before we knew exactly how it was going to work. That put us at a serious disadvantage in a tight budgetary environment because there were plenty of other budgetary mouths to feed, more than a few people who didn’t want welfare reform to happen in the first place, and without a fully developed plan to put on the table it was hard to nail down the money.

Riley: It was clear this was going to cost.

Reed: That had been Clinton’s reassurance to Democrats, that it might save money in the long haul, but at least in the short run, if you’re going to improve the system, you had to put some money into it. We were in much the same position as healthcare because although we put together a campaign plan, that too was an ambitious undertaking, with more details than we had when we set foot in the White House. There was no doubt that that was going to be a big political priority for the administration, but it was hard for them as well to get a running start when they knew what goal they had to achieve but they hadn’t had a chance to do the spade work to figure out what was the politically survivable route to get to their goal.

As it turned out, welfare reform and health reform met the same fate in the first month of the administration, when the economic team put together the five-year economic plan. They came to the conclusion that both healthcare and welfare reform would have to pay for themselves, that

they wouldn't put the money aside in the budgetary framework that they were proposing to Congress in the reconciliation package.

Their theory was that healthcare wasn't far enough along to put a price tag on it, and welfare reform had a rough price tag but the rest of the details hadn't been worked out yet. They reasoned that this was a priority that Republicans shared so it would be easier to get Republicans to spend money on it. Now *that* turned out to be a colossal misinterpretation because the Republicans agreed on the importance of welfare reform; the *last* thing they wanted to do was spend money on it. I fought hard to be an Assistant to the President so I could have a seat at the table so I could prevent this sort of thing from happening. But I lost that battle, so I wasn't there at the economic team meetings when they were setting the five-year framework. The way it was explained to me—

Riley: By Carol?

Reed: No, she wasn't there either. I first discovered what had happened when I was in the Staff Secretary's office getting a copy of the framework. The President was announcing the framework in his February 17th speech to the nation, and we had been monitoring the discussions even though we weren't in the Roosevelt Room as part of them.

Going into the weekend before the final decisions were made, welfare reform had a nice big plug of money in there and, but when we picked up the final copy of the plan, that money was gone. So I had a shouting match of sorts, I think with Alice Rivlin in the Staff Secretary's office about what happened to it, and when I pieced the story together later, I came to the conclusion that Secretary [Lloyd] Bentsen had been the one to recommend dropping the money, that Rivlin had supported him in that effort, and that Clinton had taken their word for it.

Riley: I want to be clear on this. In this particular plan, you said this was a five-year—the original five-year, if it had been included in that plan, it would have meant proceeding immediately with the development and enactment of welfare reform?

Reed: Yes. What that meant was we sent Congress a reconciliation bill that we called the economic plan, which was taken up on an expedited basis. It required only 50 votes and most of those, for six months, were fought over, and that set the budgetary framework for the first term. After that, because in those days we had PAYGO [pay as you go] rules, that if you had a new initiative, you had to pay for it. That meant that any new initiative had to have a budgetary offset. So if you wanted to spend $6 billion on welfare reform, you had to propose $6 billion in cuts or new taxes. Health reform had the same challenge.

In a huge budget plan where there are billions and billions of dollars in new investments and billions of cuts—much easier to survive without having to explain, because we hadn't—Clinton had been very straightforward in the campaign that welfare reform didn't save money. But that was still a counter-intuitive notion. Most people thought that when people left welfare you'd save money. In truth, the way it has actually played out that has proved to be the case, but it wasn't easy to go to Republicans and say, "Do you have any interest in raising taxes to fix the

welfare system?" or "Would you like to cut this or that program for ordinary Americans in order to fund poor Americans?"

Riley: So in effect that meant you were exposed.

Reed: Instead of being part of the team, part of the priority mail, we were off to find our own postage.

Riley: And healthcare was in the same position.

Reed: Healthcare was in the same position.

Riley: I've heard that there were some efforts to try to get healthcare into this reconciliation—

Reed: Oh yes.

Riley: That there were objections based on the Byrd amendment there, that it would have been considered—

Reed: I think this was just the beginning of our problems. Even if it had been part of reconciliation, we still would have had a heck of a battle on the particulars, and it was more a canary in the coal mine than the actual end of the world for us because the result of it was—well, once I realized what had happened I called [Donna] Shalala, who was outraged. She called Moynihan, who was outraged, and we were in a world of hurt with Moynihan anyway, because someone was quoted saying we were going to roll over him. There's a famous quote in one of the news magazines that set him off. It was salt in the wound for our already off-to-a-bad-start relationship with Moynihan, who was going to be chairing the committee that was overseeing all of these priorities—first the reconciliation bill, then healthcare, then welfare reform.

There was some speculation, which I was never able to confirm or refute, that perhaps it was no accident that Bentsen, who had just left the finance committee and had never seen eye-to-eye with Moynihan, might not have minded cutting out Moynihan's top priority from the economic plan—

Riley: A farewell present?

Reed: A welcoming gift. So the President immediately realized that this was a mistake, and we seriously contemplated sending up a revised plan to reflect more money—

Riley: How does he recognize this? He's getting heat from the Hill.

Reed: He got heat from Moynihan.

Riley: Are you talking to him?

Reed: I can't remember how public Moynihan was, but it was no secret that he was upset. Obviously Clinton had no interest in slowing welfare reform down; he wanted to go full-steam ahead on everything. So at one point the President had me come up with a proposal for how to make peace with Moynihan on the issue, but for some reason, Moynihan calmed down, and we decided not to amend the reconciliation bill.

The health crowd had gone through a similar flare-up because they weren't around the table either. But it was much harder for them to be included in the reconciliation bill because they were just much bigger. We were, in terms of money, a relatively modest enterprise—$3 billion a year, or something like that.

The EITC, which was part of our general agenda, made it into the reconciliation package and did better than expected because they needed more tax cuts, so that was useful. So it wasn't a complete loss, but it was as I said a bad sign of things to come.

Riley: When was the task force established?

Reed: The task force was formed—we must have recommended the task force as the entity that was going to work with the NGA. First off the transition had been a series of stories about how Clinton was not going to keep his promises, and the first week of the administration was a fiasco on a host of fronts. The first good news day that we had was when I got Clinton to give a welfare speech at the NGA where he basically repeated his campaign speech and said, "I'm serious, I'm going to end welfare as we know it, work with me." So it was big news that Clinton was going to keep a campaign promise.

The war room, which had had a miserable ten days of it, erupted in applause the next morning about it, but it was really just a holding action. We still had a long way to go. We'd wanted to do the task force from the start, but it didn't actually get formalized until June, I believe, of '93. Ellwood couldn't do it until he was confirmed, when in fact most of the people involved—it was 32 members from something like eight agencies, a fair number of White House people, but an awful lot of—

Riley: Just to be clear for the record, confirmed in his position at HHS.

Reed: Right. The task force was to be made up of people from the White House and assistant secretaries from around the administration. Most of those people weren't in place until the summer, but even so, we thought that the task force could wrap up its work over the course of the summer, present a bill in the fall, and get on with it. As it turned out, the task force was a very accurate subsample of the administration, which was a perfect reflection of the Democratic Party, so its work took forever.

Most of the people on the task force wanted to go forward, but there were some real holdouts, and so we had one of the great bureaucratic soap operas of the Clinton years.

Riley: Do tell.

Reed: Well, early on, I think throughout the administration it was an issue that sparked people's passions. They weren't shy about their views. So we were always waking up, reading another story in the *New York Times* about administration officials who disagreed with what we were doing. That started with a story that spring where Henry Cisneros, the HUD [Housing and Urban Development] Secretary, said that time limits were a bad idea, and David Ellwood, who'd taken quite a beating from his liberal friends for his association with Clinton's ideas, had gotten nervous and had decided that instead of ending welfare as we know it across the board, we should do a pilot program in a couple of states.

Once the task force got going, we realized there was a big gap between the White House and HHS on how best to do this. Ellwood wanted to go slowly, we all wanted to keep the President's promise, and everybody on the welfare task force had one eye on the healthcare task force. We made common cause of the fact that we didn't want their fate. So we did our best to run an open, inclusive process, not get sued for private meetings. We had hearings around the country.

Riley: You got involvement from the Hill?

Reed: We fanned out over the Hill. We did a thorough job and we also—despite our differences on the particulars—agreed that welfare reform needed to be a bigger priority for the administration. I think there were two dynamics going on. The first was, from the moment the President assigned the First Lady to be the head of the healthcare effort, it was clear that healthcare was going to be the most important issue for the administration and that everything else would have to take a back seat to that.

That wasn't our real problem. Our real problem was that it quickly became apparent to us that nobody in Congress—nobody on the Democratic side, none of the Democratic leaders—wanted us to do a welfare bill. [Thomas] Foley and [Richard] Gephardt in particular pleaded with Clinton not to send one. Bob Matsui, who was the head of the subcommittee that would write the welfare bill in the House, told us we were crazy to try to send up a bill, that it would divide the party.

From the standpoint of the Democratic leadership, which was looking to unite the Democratic caucus, welfare reform was the last thing they wanted to do. It was an issue where Democrats were divided and Republicans wanted to play a role. That was not the way they wanted to run things. But in particular, it was a divisive issue in the ranks.

Riley: You do get help from Moynihan at one point, right? Because—

Reed: We got some help from Moynihan in a way, but we had several procedural strikes against us. First, we didn't make the cut of the economic plan. Then we had to go through the same committees—the Finance Committee, the Ways and Means Committee—the same committees as healthcare, and healthcare was only a step or two ahead of us. They weren't able to meet their deadlines either. The President didn't announce a plan until September, and they were sailing into a stiff headwind that slowed them down, so we were the next train. Even if the Democratic leadership had wanted the welfare bill to happen, we were the next train after healthcare, and healthcare wasn't moving.

So the task force didn't really know what to do. We wanted to finish, but the administration wasn't sure it wanted us to finish because they didn't know what they would do with us, with our bill, once we did. It took us most of the second half of '93 to sort out our differences on the particulars. We were trying to learn the lesson of health reform by not sending a detailed plan to Congress and leaving them to fill in some of the details, but everybody at HHS who we were working with on the bill had come from Congress, so they kept laboring. Every time we thought we had all the answers they asked another round of questions and we had to go further.

The biggest problem that we had in getting a bill out the door was once we decided what the policy was, then we had to figure out how to pay for it.

Riley: They're making you come up with your own—

Reed: Yes, we had to meet with OMB [Office of Management and Budget] and come up with our own PAYGO, and there wasn't anything good left. The budget battle had taken all the low-hanging fruit. So we were left with changes—we had to find all our savings from other low-income programs.

Riley: Was that also partly a function of healthcare cruising through just before you?

Reed: Yes, healthcare had taken up—there are never easy pay-fors, but there weren't any politically attractive pay-fors lying around. So we had a miserable debate—the Republicans wanted to pay for the entire package out of cuts in benefits for illegal immigrants. We didn't want to do that, although there was clear evidence that some changes needed to be made in those programs because the costs had been exploding in recent years. So we had to figure out an acceptable level of pain in that regard. Then we looked at a host of bizarre pay-fors, including one that was taking away Social Security benefits, I think it was from elderly men with second wives. It was that kind of thing. At one point we contemplated a gambling tax, but that was a nonstarter on the Hill.

I mean basically, we had a bill that Congress didn't want to pass anyway, and then we had to find budget cuts that Congress wanted to pass even less, and figure out a way to pass them both. So we spent the springtime of '94 searching, and eventually settled on cats and dogs that were the least of the available evils.

In the meantime, the Cabinet had met on the first day of work back in January of '94 and discussed what kind of priority welfare should have. Somehow, some people in the meeting said healthcare should come first, welfare should take a back seat, which led to a front-page story in the *New York Times* that welfare reform was going to take a back seat. Moynihan erupted, went on the Sunday shows. I think that's when he attacked us for "boob bait for Bubbas" and endorsed the idea of a special prosecutor for Whitewater.

Riley: The cats and dogs attacked.

Reed: I can remember having conversations with the First Lady and her staff about whether there was anything that we could do to try to get Moynihan to call off the dogs. We solved the problem in the short run in the State of the Union. Clinton made an impassioned plea for how welfare reform was going to be the centerpiece of the State of the Union.

Riley: This was at your instigation?

Reed: Yes. He was happy to do it. I mean everyone saw that that would be good for health reform, too.

Riley: Was there ever any possibility that those two reform efforts would have been joined, or was that too much?

Reed: We talked to Clinton. The task force met with him. I think it was our only meeting with him as a group, and he said it made all the sense in the world for them to be joined, but politically, welfare reform—well first, they were substantively linked; people would stay on welfare just for the healthcare if you didn't have health reform. And then politically, doing welfare reform reassured the people who had doubts about health reform. But most of the Democrats on the Hill wanted to do health reform, didn't want to do welfare reform and they couldn't figure out how they wanted to do health reform anyway.

We had a glimmer of hope that Moynihan might get us back in the ball game, but as it turned out, he was more interested in using the administration's failure to do anything on welfare reform as a way to block healthcare than he was in actually getting welfare reform done. Now we were able to reassure him to some degree. Clinton talked at great length and in some detail in the State of the Union about the problem of illegitimacy, and we reiterated some of the themes of the speech that he'd given at Memphis, which was about crime and welfare. Moynihan at about this time had given his famous speech about "defining deviancy down." Moynihan wrote a detailed letter to the President thanking him for what he had said on illegitimacy and correcting some of his facts. But that was progress.

We labored on through the spring. Clinton had said in the State of the Union that, "I will send Congress a bill this spring," but we still hadn't figured out how to pay for it.

Riley: Was that language also cleared with you? You were happy—

Reed: I wrote the "this spring." I mean the whole thing.

Riley: You did that because you were confident you could get a bill, or was it action-forcing?

Reed: It was meant as an action-forcing mechanism. Of course the problem with using a season as opposed to a month or a day as an action-forcing mechanism is that there's a wide margin of error. So we delivered a welfare reform bill to the Hill on June 21st about an hour before the summer solstice. And by that point I took great pride in the fact that we actually met the deadline, but the whole thing was a bureaucratic embarrassment. When I was in college I studied [Charles] Dickens and his famous description of the office of "how not to do it," I think it was

called. It's always easier in government to slow something down than to get it done, and the people who didn't want it to be a priority were able to keep it from becoming one. I was a lonely voice in the White House for making it a bigger deal.

The President was, as he was on most issues, my greatest ally. But there was almost no one else who was willing to help make it a reality.

Riley: We want to revisit some of our earlier discussions last time. You didn't feel like you were very well positioned to take advantage of that by virtue of your title.

Reed: Yes, my title, and you know, in the early part of the administration, people were still sorting out their loyalties and their feelings about Clintonism, and a lot of people signed on for stuff that they saw during the campaign and either willfully or not overlooked other parts of Clintonism. Clinton was able to attract a broad range of people, all of whom thought that he agreed with them on everything. But in any event, the White House had its hands full, nothing was going very well, and I guess I had occasional allies. [David] Gergen, while he lasted, was an ally. We granted a waiver to Wisconsin that year that helped.

Riley: This was in '93?

Reed: Yes. We later did one, it would later be a controversy in '96, but they did a time-limited experimental waiver.

Riley: That was the only one in the first term?

Reed: No. We did, I think, something like 80 waivers over the course of the first four years, more waivers on welfare than every previous administration combined. Wisconsin was the first big deal one because it was a time-limit experiment. HHS didn't want to do it. I thought we had to, and we eventually convinced them to do it. That was, again, a signal to the outside world that we weren't beating a hasty retreat on welfare reform.

Most of the political advisors didn't have the same sense of panic that I did. I went to one meeting in the summer of '94 where we were talking about sequencing of issues.

Riley: By this time healthcare was still alive.

Reed: It was early summer, or maybe it was late spring. I remember [Paul] Begala and Greenberg making the argument—it must have been late spring, yes—that we should wait, that we shouldn't press too hard for welfare reform because in the next Congress there'd be more Republicans and this was something that they'd want to do, which turned out to be an excellent prophesy.

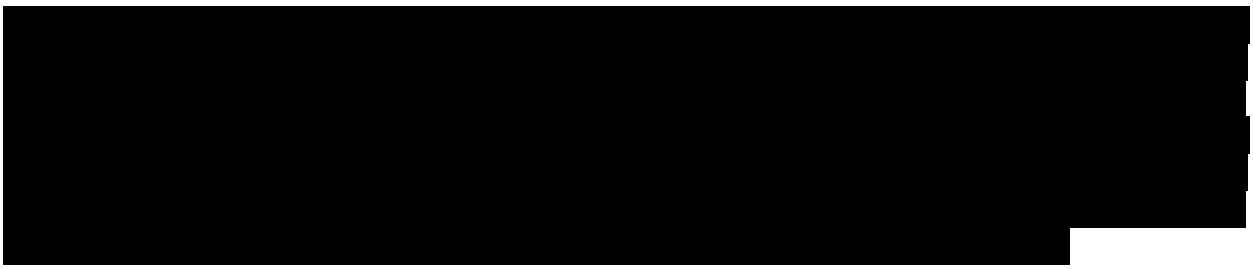
Riley: Not exactly the way they had it drawn up.

Reed: A lot of people in the party just shied away from controversy. Clinton in the campaign had embraced controversy as a way to show that he was different, and this had worked out well for

him. In the first two years of the administration we sought consensus and ducked controversy with disastrous effects. Bob Matsui publicly lambasted David Ellwood at a hearing on our bill in the summer of ’94, saying it would be political suicide for the Democrats to take up welfare reform because it would spin wildly out of control in an election year and the Republicans would get their way. Now of course, the debate did spin out of control, but not the debate in Congress, the debate about the future of the country.

Most of the party didn’t want to deal with the tough issue, and it’s not like the administration’s top priorities were doing all that well either. We often debated in the first term whether it was best on any given issue to be the White House’s top priority or not because once you got to be the top priority then you got the full attention of the White House’s political advisors, who often had only a foggy sense of the policy, and being at the top of the agenda brought a greater spotlight and greater resistance and all sorts of other things.

Anyway, nothing happened in that Congress. We had a fleeting hope that as Congress became increasingly desperate to get anything done that we might be able to sneak welfare reform through, but it didn’t happen. We lost the elections badly, and when the dust had settled from the November elections, we realized that welfare reform was one of the few agenda items we had in common with the new Republican majority. They had spelled out a welfare reform proposal in their contract which had nastier budgetary offsets than our bill, but it was conceptually similar.



So we knew we had a chance to work something out with the Republican Congress and we knew we wouldn’t have much else to work on. Unbeknownst to us, the Republicans had been moving away from us. As Clinton occupied the center on the welfare issue, they were increasingly of the view that they had to find a different place to be. They were terrified that Clinton would ever do welfare reform, and Bill Bennett and a group of other conservatives met in the spring and summer of ’94 to come up with a rebuttal, to make sure we didn’t get anywhere on welfare reform.

They had a heavy PR [public relations] offensive against us when we introduced our bill in the summer of ’94. But they also came to the conclusion that they were going to stake out new ground and shift the emphasis away from work, which is where Bobby Kennedy had put it and Ronald Reagan had put it, and Bill Clinton had put it, and more onto the grounds of illegitimacy. Charles Murray was at that point finishing up *The Bell Curve,* and had written a piece advocating cutting off benefits to unwed teen mothers as a more effective way than requiring work. So that was the new conservative position.

The contract had the old Republican stuff and some of the new Republican stuff. It had work requirements and orphanages.

Riley: Very old Republican stuff.

Reed: And cutting off benefits to teen moms. So we had some common ground with the new Republican majority, but they were going through an ideological transformation of their own. So we had to come up with a strategy to deal with them, and we decided first that we were going to make it a big priority, and any of the internal obstacles to that had disappeared, and there was no Democratic Congressional leadership to tell us not to do it anymore.

Riley: About what time was this happening?

Reed: People were in shock in November, but basically December of '94. We decided to have a summit meeting at Blair House in January of '95, which I think was Rahm Emanuel's idea, and we brought the leaders from both parties, from both Houses of Congress and the Governors, and our hope was that we would be able to exploit the new divisions in the Republican ranks because there were still some moderate Republicans, mostly in the Senate, who were uneasy about the [Newt] Gingrich revolution and used to working in a bipartisan way, and who didn't like the way Republicans were moving to the right.

Then there were conservative Governors who didn't like conservative mandates from Washington any more than they liked liberal mandates from Washington, and they didn't want a Republican Congress telling them what to do either. So over the course of the next year and a half, we turned these factions against each other and it worked out much better than we could even have hoped.

In the first part of '95, the Republicans made an about-face and decided since they now controlled the majority of the governorships, that instead of being for the existing welfare structure, with a work requirement for everybody, which is what the contract said, that they should be for a block grant and turn the whole problem over to the states. That was a problem for us, because most Democrats were even more against that idea than they were against the work requirements because they didn't trust the states. They hadn't trusted the states since the civil rights movement, and it brought out all their worst fears.

Because the Republicans were trying out new ideas, they were actually a lot more vulnerable to attack than they would otherwise have been. When the Republicans got around to debating this issue in the House, the first bill they put forward in committee was a block grant to the states with minimal work requirements because the conservative Governors wanted control of this problem and they didn't want Washington telling them what to do. Gingrich said, "Fine." We immediately attacked the Republicans for being weak on work and for not having stiff work requirements, and that threw them for a loop. They didn't know what to do because no Democrat had ever accused a Republican of being weak on work before, and we did that for several weeks. Clinton was having a great time. I mean, it was not a joyous time at the White House—

Riley: One of the few bright spots.

Reed: That was a bright spot. Eventually they caved to our demands, strengthening the work requirements, so then we attacked them as being weak on work and tough on kids, and in the House we were just trying to slow them down. We just wanted to keep them from getting a veto-proof majority for their agenda, and we did better than we expected. Gingrich rolled the contract through in the first hundred days, but welfare reform was the last thing because it was the hardest one for them to reach agreement, and all the Democrats held together and actually voted for a Democratic alternative that had time limits and work requirements and all the things that they hadn't wanted to do a year earlier. Only a few Democrats voted with the Republicans.

Then it went to the Senate, and I guess starting in March and continuing through the next year and a half, we started taking executive actions on a regular basis on a host of issues to try to demonstrate that the President wasn't irrelevant and that he could do things, with or without help from Congress.

Riley: This was a conscious strategy—

Reed: It was a conscious strategy that I think [Dick] Morris deserves much of the credit for. I guess we sort of started it before he got there, but he was one of the firmest believers in it. I think we would have gotten around to it anyway because there really wasn't anything else to do since there were no bills to sign. But we started doing executive orders, implementing as much of welfare reform and other things as we could. The first one was an executive order to require Federal employees to pay child support, which I think we did in March of '95. Over the course of the next 18 months, we must have done a dozen on welfare reform and child support alone. By the end, we imposed work requirements and time limits on welfare recipients. We required teen moms to stay in school and built up an enormous amount of pressure on Congress.

By the early summer of '96, when the President signed an executive order to impose work requirements, one Republican staffer told our Congressional liaison, "We're putting up the white flag. If the President is going to reform welfare anyway, we might as well be part of it." So that strategy worked out. It was a way to remind people that the President was serious about welfare reform, wanted to get it done, and that we weren't obstructionists, that we weren't just vetoing a Republican agenda, we were trying to achieve the best result. At Morris's instigation, Clinton gave a speech that spring of '95 about how he didn't come here to achieve a pile of vetoes.

The welfare battle moved to the Senate and was in the hands of Bob Dole, the Senate Majority Leader, and to our happy surprise he encountered an enormous amount of difficulty reconciling the divisions within his party. There were new Senators on the scene who were extraordinarily conservative, but there was still a block of moderates, and because welfare reform couldn't go anywhere without 60 votes, Dole had to actually forge a bipartisan coalition. He tried in May after the bill came out. He tried over the course of the summer; it blew up. I don't think he handled it very well.

Riley: This was in '94 still?

Reed: No, we're talking '95. After it passed the House, it moves to the Senate, but Dole couldn't bring a bill to the floor because he couldn't get agreement in Republican ranks. They had a bitter feud over whether the bill should start off with the finding that marriage is the foundation of American life. I don't know why that was a problem for the moderates to agree to—maybe it was marriage between two parents is the foundation of American life. They almost had a deal by the end of the summer.

Their problem getting their act together allowed us to figure out exactly what improvements we needed to have made and build bipartisan support for all those improvements. So we had threatened to veto the House bill, but we laid out a handful of things that we needed to get in the Senate bill and we lined up the support for them, and by the end of the summer when they were ready to bring the bill to the floor, we knew we had the votes to get the improvements we needed. But then [Tom] Daschle decided we could get a better deal if we waited. Over our objections, he refused to enter into a time agreement with the Republicans, so it went on even further.

Finally in September we had the Senate debate. We beat back, we stripped out, most of the conservative mandates. We beat them on unwed mothers and on mandatory no additional benefits for additional children and a host of other conservative amendments. We added more money for child care. We got all the things that we had hoped for, and then some. All of it had to be paid for, and the House bill—it wasn't just a matter of paying for it, actually. By this point they were—both sides, both Houses—anticipating saving an enormous amount of money, so we were still in a real battle over what the budget cuts attached to welfare reform would be, but we were able to soften those in the Senate bill.

The Senate debate was winding to a close in late September, the end of the week, but the vote wasn't going to be until the following Tuesday, so we decided to do a radio address endorsing the Senate bill. Despite some consternation at HHS, the President did that. Then the Senate passed it by something like 87 to 10, overwhelmingly bipartisan, but it wasn't a perfect bill, so we endorsed the Senate bill but said we'd like to see further improvements in conference. So we had a terrible House bill, we had a Senate bill that was good, and we were hoping to get a compromise that was better than the Senate bill, which didn't make much sense to people. We weren't quite sure how we were going to do it, but we thought that we would be in a much stronger position to advocate for the changes we wanted if we were actually for something.

So things were going swimmingly. We were on track to get a bipartisan bill, and then the budget showdown heated up and subsumed the entire welfare reform debate. Congress decided to have a reconciliation debate that encompassed the entire Federal budget and folded everything else in there. So we were no longer in a position where we were able to have a bipartisan debate, build a bipartisan coalition, because both sides retreated to their respective camps on the budget battle. They passed a budget bill that we opposed that was unacceptable on a thousand different fronts, including they sort of did a phony conference of the welfare bill and made enough concessions to the moderates so they wouldn't go ballistic. But it was a Potemkin exercise because everyone knew it wasn't going to become law.

We shut down the government. The President vetoed the reconciliation bill. Then Leon Panetta was on one of the Sunday shows, was asked about welfare, and said that the welfare bill was so bad that the President would have vetoed it on its own, which we never debated, but the Republicans thought, *What a great idea*. So they passed the welfare bill again, separately, the same portion of the reconciliation bill that we just vetoed, and just for fun sent it down to the President and made him veto it again.

Riley: So the two vetoes that we typically hear about, the first one was in the budget reconciliation.

Reed: Right. He vetoed the same thing twice, once as part of the reconciliation, once as a stand-alone bill. It was entirely a political response to the Sunday show appearance. I don't think it ever would have occurred to them to do that if Leon hadn't brought it up because the Republicans didn't know what to expect from Clinton on welfare.

We had a little group, a little cabal within the White House of a couple of people from HHS who actually wanted to get a bill done and a couple of people from the White House, including Rahm Emanuel and Susan Brophy, who was doing legislative affairs, and we would meet a couple of times a week in my office. We came up with what we called the "madman theory," which was that if the Republicans didn't know what it would take to get Bill Clinton to veto a welfare bill, they wouldn't know how to send him an unacceptable bill, and that if we spelled out every single one of our concerns, that we would give them a road map for how to keep Clinton from signing it.

We knew that most of the Republicans, especially Dole, who at this point was in the heat of the Republican Presidential primaries, didn't want the President to sign welfare reform. They wanted it as an issue for the '96 campaign.

We also knew that everyone on the Hill thought that Clinton would sign anything. We knew that Clinton wouldn't sign anything, that he had strong feelings on the issue and that he wouldn't sign a bill that had overwhelming Democratic opposition. We knew we had to get a better bill than we had any reason to expect, and so we did everything we could to try to confuse the Republicans as to what we really wanted.

Riley: When you say that they knew that Clinton would sign anything, this was in advance of the government shutdown, or at the time that the government was shutting down?

Reed: The only reason they knew that he would veto the standalone welfare bill that they sent him after the budget shutdown was because Panetta had said so. For the rest of the debate in '96, they were in the dark—

Riley: It was a conscious decision not to give them signals about areas that you found acceptable and not acceptable.

Reed: We pounded away at what we saw were the vulnerabilities and we spelled out plenty of complaints, but we never gave them a bottom line because we knew they would come in just below it.

Riley: Is that on welfare or is it also on the budget bill?

Reed: The budget bill was sort of a different story because they wanted a budget bill.

Riley: It was not optional.

Reed: They wanted a budget deal. They weren't as threatened by that. They thought that that was a winning debate for them. Welfare reform they thought, at least at this point, would be a political win for Clinton. After the first shutdown at Thanksgiving, we had another shutdown at Christmas, then we had serious budget talks where we thought we'd be able to make a budget deal. All the signals from the Hill were that they wanted one; Clinton wanted one. We thought it was going to happen.

We had a series of meetings on particular topics over the course of that Christmas holiday, including one that I went to in the Roosevelt Room about welfare reform with Clinton and Gingrich and Dole. We went through the outstanding issues on welfare reform, and there was no doubt in the room that we could reach agreement on that issue if we could set the rest of the budget aside. Clinton and Gingrich were joking and talking throughout the meeting and agreeing on all sorts of aspects, and Dole looked like he had just swallowed a lemon. He was miserable. He just didn't want to be there.

Riley: Were there some people on the White House staff who looked like they'd swallowed a lemon, too?

Reed: The quest for a balanced budget was full of difficult moments for people on both sides within the White House.

Riley: But your slice of it is almost exclusively welfare reform at this point?

Reed: Yes. I was occasionally a witness to divisions on the budget, and I was one of a handful who were for having a balanced budget plan and for getting a deal, but I was spending almost all my time on the welfare piece.

Riley: Explain to me why it is that Bill Clinton and Newt Gingrich—

Reed: Got along so well?

Riley: Yeah.

Reed: Well, Gingrich is a wonk at heart, and over the years he thought about trying to redefine the Republican Party. In the end he took it where the Republican base wanted to go, but he saw himself as ushering in a new day for the Republican Party. He liked to philosophize, so they had

a lot to talk about. There were areas of genuine overlap. In spite of his image and pronouncements on a lot of subjects, Gingrich argued for many years that the Republicans should care about poverty, so I think they liked talking about the issues. And Clinton—unless you went out of your way to not like him—he was hard not to like. I guess Gingrich is a little easier to not like, but in my experience he was the sort of guy who would pop off in public and then try to be reasonable in private.

Clinton's view was that Gingrich's real problem and the reason the revolution went awry was that his followers in the House believed all the nonsense that Gingrich was filling them with as he tried to pump them up to start the revolution. Once they took office, Gingrich couldn't get them to stop believing it any more, even though for Gingrich it had mostly been just a tactic. Now why some of those other guys like [Dick] Armey ever let Gingrich in the room with them, I don't know.

Riley: You hear reports from both sides that there was anxiety about putting the two of those guys in the room because they wouldn't stay stuck on what they were supposed to say, but the people from the White House have said there was nervousness about Clinton dealing with Gingrich, and people on the Republican side didn't want Gingrich locked in a room with Clinton. Is that true?

Reed: Yes, definitely. They were smart politicians, and I think they both saw that what the country really wanted was for people to reach across party lines and make an agreement. A smart politician with loftier ambitions—not necessarily that Gingrich wanted to be President—but a politician who wanted to be popular would want to be in that room, and Clinton and Gingrich were both good politicians. Dick Armey is not a very good politician.

I think the respective camps recognized that their guys were prone to do popular things and liked to be—Gingrich later said he felt seduced by Clinton. I thought Clinton felt that it was in the country's best interest and in his interest, and in the other side's interest, too, to reach an agreement. I don't think he was trying to snooker him. It's more remarkable that they wanted to be there because they became famous for being unreasonable. If they had played their cards differently, if they hadn't been so obstinate, they might very well have gotten a better end to it all.

Riley: So evidently supportive of what ultimately happened. I mean, having pronounced for months that they would shut the government down, when it gets shut down, then it's kind of hard to point the finger and blame somebody else for it. The dynamic changes when all of a sudden the public turns on them as a result of this.

Reed: Yes.

Riley: Then you come out the far end in January and February. But you've got the two vetoes now piled up.

Reed: Yes. The second happened I think January 9th, although they'd sent us the bill before Christmas. The budget stuff fell apart because they just couldn't find common ground on enough of the numbers.

Riley: You're talking about the budget stuff—

Reed: The larger budget debate, all those negotiations that we thought were leading somewhere didn't. That sort of dissipates in January. When President Clinton vetoed the second bill, he was grumpy about it and I was grumpy about it. We talked about it. I went in to brief him in the Oval to do it. We talked about how if anybody had been willing to sit down with us for a minute we could have worked out an acceptable compromise in no time.

Riley: Grumpy because it's a missed opportunity?

Reed: Yes, we were grumpy that the historic chance to pass welfare reform might be slipping away from us, not because we had fundamental disagreements about welfare reform, but because of everything else. And I'm sure he was grumpy because the larger budget negotiations weren't going well either. But our congressional people assured us that we'd get another chance; there was still plenty of time left on the clock.

By this point Dole was wrapping up the nomination, so the Republicans put their heads together again to make sure that welfare reform would only come to us in an unacceptable manner, and they decided their next poison pill would be to link healthcare and welfare in an unacceptable way by giving us a welfare reform block grant linked to a Medicaid block grant.The Republican Governors wanted block grants for everything, and one of the major issues in the government shutdown was over block-granting Medicaid, which Clinton was violently opposed to because his view was that the welfare program was already in essence a block grant because every state could set benefit levels at whatever amount it wanted. So for all practical purposes there wasn't any Federal guarantee of a set level of welfare benefits. In Texas you'd get $150 a month, in Alaska you'd get $700 a month, so he didn't see any danger in turning over more decisions to the states because they were making the benefit decisions, but the Federal government wasn't holding them accountable to do anything to move people from welfare to work.

With Medicaid there's a defined Federal guarantee of a package of benefits that can't fall below that's spelled out in the law, and he felt that if Congress block-granted Medicaid, then every legislature in America would be setting a different benefit level for its recipients. Since the most powerful lobbies in every legislature are the nursing homes and long-term care industry, all the Medicaid money would go to old people instead of kids. That was one of his main reasons for vetoing the budget bill. Republicans figured this out, realized that their most powerful constituency, the Governors, wanted block grants for both, and they put together a bill that would include block grants for both. The Senate took up that bill in the spring.

The President went to the NGA in March of this year and said, "Please don't do this." It was a poison pill strategy dictated by Dole's Presidential bid. The Governors were initially supportive of it because they agreed with the substance, but they quickly realized that this strategy was designed to stop welfare reform, not enact it. They had been waiting too long for welfare reform

to be a party to that strategy, so the administration negotiated a compromise between John Engler for the Republicans—he was Governor of Michigan one time, and Tom Carper, who was the Governor of Delaware at the time.

The NGA embraced a set of principles for an acceptable welfare reform bill that again wasn't perfect, but was a clear break. It basically said, take up welfare reform as a standalone bill. So we got the Governors more or less on our side, although they were all chairs of Dole's reelection campaign in their state, so we didn't know how long they would stick with us.

We continued to do executive order after executive order to build political pressure on the Congress. Eventually in June of '96, House Republicans panicked, and the class that had been elected in the '94 elections realized that they were in danger of facing the electorate without having enacted a single item from the contract into law, and that they couldn't afford to go 0 for the 104th Congress, so a group of about 75 House Republicans wrote Gingrich a letter saying, "We want welfare reform to become law. Please drop the Medicaid poison pill. Let's send President Clinton a welfare bill and force the question."

That broke the log jam. The House passed the bill in July, the Senate did as well. They had a conference. The bills were in most respects even better than where we'd been a year earlier. We'd gotten more money for childcare, more money for work. Then they conference them and the last remaining poison pill was deep cuts in benefits for illegal immigrants, and they conferenced. This was in late July '96, and they finally came out with a conference report—I think July 30th or something like that.

Riley: Was the White House working that conference?

Reed: We had done a variety of things. We had been working with the Republicans, who had worked with us for the past two years.

Riley: Who was your number one guy?

Reed: Actually the best person was the Assistant Secretary for Legislative Affairs at HHS, Rich Tarplin, who had befriended all the Republican moderates on both sides. We had other allies. The Catholic Church was bitterly opposed to some of the conservative mandates, so we had them as an ally on certain things. When it got to conference, by that point it wasn't a real conference, it was just a straight-up leadership decision between Gingrich and Dole. I guess Dole had stepped out by this point—between Gingrich and [Trent] Lott. Of course they had the Dole campaign pleading with them to send us a bill that we couldn't accept.

Clinton had become friends with Lott, had a working relationship with Lott that was strengthened for a while by the fact that Dick Morris had been consultant to Lott, so Morris was a back channel.

Riley: So there was something to that.

Reed: There was something to it, but it seemed to be a pretty ineffectual back channel because Morris kept telling us throughout ’95 and into early ’96, a budget deal is just around the corner. Trent says he wants a deal, and it never happened. But Clinton got along reasonably well with Lott; they at least talked a lot. He pleaded with Lott not to include the benefits for illegal immigrants and tried to convince him it was political suicide for the Republicans to advocate those cuts because it would kill them with the Hispanic vote.

Riley: Was Morris using that claim? He’s not gone yet?

Reed: No, he’s not gone yet. Let’s back up just a tiny bit. The other executive action that put enormous pressure on the Republicans was that Wisconsin had passed a sweeping legislation to carry out, to impose time on the statewide—and spend an enormous amount of money moving people from welfare to work. So they’d come up with an ideal program and had submitted a waiver to HHS. We surprised everybody again by doing a radio address saying that the President would sign that waiver; the administration would grant that waiver.

Riley: At your recommendation?

Reed: Oh yes. It was one of those things that Don Baer, who you’ll see later, and I showed up at work and had exactly the same thought on a Friday and then we had until Saturday to convince HHS to do it. They really didn’t want to do it, but they reluctantly agreed. Then we had to spend two months haggling with them over the details because they actually had to grant the waiver and they didn’t really want to do it.

Two weeks after the President did the radio address Harold Ickes went to the *Wall Street Journal* and told them the President had concerns about the Wisconsin waiver. The funniest thing is that eventually, after fighting with HHS on waiver after waiver—the President said it was like pulling teeth to get them to agree. I remember talking to him about how much he hated HHS when he was a Governor for just this reason. They were violently opposed to granting the Wisconsin waiver, and then when it came down to it and the President was faced with the decision whether to sign the welfare bill, their advice to him was veto the welfare bill and sign the Wisconsin waiver.

In any event, once it became apparent welfare reform was going to come back the President’s way, he began to agonize over it.

Riley: Because the poison pill was left in?

Reed: We weren’t sure what the—

Riley: So it’s not out of conference yet.

Reed: No, this is starting in June. Basically throughout July he was agonizing because he was finally going to have to make a decision on whether to sign or not sign that was going to have enormous political consequences and be deeply controversial within the party, and he wanted to do the right thing and he was angry with the Republicans for making it so difficult. Every

conversation I had with him over the course of the month of July was him raising, passing along arguments that people had made to him about why he shouldn't sign it.

As he campaigned around the country it seemed that everyone he met at a fundraising dinner would tell him why he shouldn't sign the bill. So he'd bring home all their questions. He had a private fax for his friends and for anybody, so he was besieged with advice, and he'd call me up with objections that Bob Greenstein had raised or someone else had raised. He was in genuine agony over this decision.

Riley: He's looking to you to answer—

Reed: Yes, answer their criticisms. Meanwhile Morris is insisting to everyone that he's done the polling; the President has to sign this bill, so of course he will, and he keeps reassuring everybody not to worry, it's just going to happen. I knew that it wasn't going to happen unless Bill Clinton was for it and that Morris was assuming away the most important question on the table, which was whether Bill Clinton would think that this was a good thing or not.

We did a child support enforcement executive order in Denver and I rode with the President in his limo afterwards. He spent the whole time berating me about problems with the bill. The Republicans, meanwhile, were looking for new poison pills. They weren't confident that the immigrants issue was going to be enough, so even right down to the end, issues would flare up and we'd have to put out this fire or that fire.

In the end, the bill finally came out of conference and the President had to decide where he was going to come down on it because the Democrats didn't want to vote on the bill without knowing whether the President was for it or against it. Nobody wanted to be on the wrong side of the President, so we scheduled a meeting for—I guess we were supposed to meet with him on July 30th, but the conference wasn't quite done yet, and half the White House thought he—I knew the President hadn't made up his mind. I'd watched him make tough decisions before, and I knew we had a long way to go yet on this one.

Almost everyone else had assumed that since it was good politics for him to sign that he would just sign. The legislative affairs office had a show of hands that morning, and the head of legislative affairs asked how many thought the President should sign the bill. Only three hands went up. Then they asked how many thought he would sign the bill, and every hand went up.

Riley: This was only within legislative affairs?

Reed: Yes. We scheduled a meeting with the President the morning of the vote, and we didn't know how it was going to come out. We realized that he was going to have to announce this position right after the meeting. So we had to write this speech before we knew what the outcome was going to be, but we decided that was okay because we'd seen enough Clinton speeches on hard issues to know that really only the last paragraph would be any different one way or the other, that he would toe the same line no matter what.

Riley: Which is?

Reed: We knew what his concerns would be, what the pros and cons were going to be. We just didn't know what the final decision would be. So we wrote the speech that way and then met with him in the Cabinet Room with about half the Cabinet there and several White House advisors. It was supposed to be his day off so he showed up relaxed, in a golf shirt, about an hour late.

Riley: Any non-official advisors in this meeting?

Reed: No.

Riley: No pollsters or party people or personal friends?

Reed: No, just key White House staff and most of the domestic Cabinet: Shalala, [Bob] Rubin, Cisneros, [Mickey] Kantor, [Bob] Reich—Panetta was Chief of Staff by then—Don Baer, Rahm Emanuel, [George] Stephanopoulos, Ickes, a guy named Ken Apfel, who was the PAD [Program Associate Director] at OMB for these issues, the Vice President, and a couple of others.

It was probably the most remarkable meeting I took part in during the Clinton years because everybody recognized what a hard decision it was for the President and how momentous a decision it would be, so no one wanted to overstate their case, which was unusual. We had a remarkably civilized, respectful debate on an issue where everybody felt very strongly but no one wanted to put their thumb on the scale.

The meeting started off with Ken Apfel laying out what the conference committee had agreed to and the plusses, and on the list of improvements we wanted, what ones we had gotten and what ones we hadn't, then Shalala made the case against the bill, and then the President opened it up for advisors to speak their minds. We went around the table. Most of the Cabinet was against it, with the exception of Mickey Kantor.

We probably spent half an hour listening to people's arguments against it, and then the President turned to me and said, "So Bruce, what's the case for the bill?" I told him that the welfare reform elements of the bill were better than we could have hoped for, that it had more money for work, more money for childcare, and we'd gotten every improvement we'd asked for, so that as a welfare reform bill it was a real achievement. He agreed that it was a good welfare bill wrapped in a "sack of shit," I think was his phrase.

I said that the child support enforcement provisions alone were worth enacting the bill and that the dire consequences the opponents of the bill predicted really wouldn't happen because the cuts in benefits for illegal immigrants were too onerous and would never stand up over time. Congress would have to come back and fix them. Most important, we'd made a promise to the American people that we were going to end welfare as we know it and we'd be hard-pressed to go to them and explain why this bill didn't do that. We shouldn't assume that we'd ever get another chance, that the history of the issue was that it wouldn't come our way again and that we owed it to the country to keep our promise.

The President agreed that this might be his only chance. He said he didn't think a Democratic Congress would have given him a welfare bill he could sign. Harold Ickes had argued against the bill, so I told him the story of about how Roosevelt had faced this same dilemma when he created the WPA [Works Progress Administration], that [Harry] Hopkins had wanted to make sure that the dole was based on work and that another Harold Ickes had argued the opposite. Of course he wanted to know how that turned out, so I told him that Hopkins had won. The discussion continued from there for a while longer. A few other people chimed in on my side after that, and—

Riley: Who was supportive of you?

Reed: Don Baer, John Hilley, who was the legislative affairs director—

Riley: Rahm?

Reed: Rahm said, "Do what you think is right." There's no question that Rahm was for it, but it was probably the best evidence that nobody was putting their thumb on the scale when Rahm, who *never* restrained himself, held himself back. The Vice President turned to me a couple of times and whispered a couple of times—I was sitting next to him—asking me questions, and during the course of the meeting asked a number of helpful, leading questions that made me think he was in favor of the bill.

Riley: But you didn't know where he was coming out on the bill.

Reed: I didn't know where the President was coming out, I didn't know for sure where the Vice President was coming out, and they gave no indication whatsoever at the meeting. I think the President didn't want to decide at that meeting. The meeting broke up finally—

[redacted]

[redacted]

Riley: Was Carol in this meeting?

Reed: No.

Riley: Was she involved in any of this? Or you're pretty much a direct line to the President now?

Reed: By this point I was an Assistant to the President for something else. In '95 I got that.

Riley: I forgot to ask you about that.

Reed: I got the promotion to Assistant to the President for Domestic Policy Planning and my job was to come up with an agenda for the second term. That was my second job. My first job was still responsibility for welfare reform. That's why I ended up working so closely with Morris on other fronts to come up with an agenda for the long term. Carol by this point had—she was very good about delegating or ceding responsibility—she had her hands full with other stuff.

[interruption]

Riley: I actually stopped you in the middle of the story because you said the President had retired to the Oval Office.

Reed: Oh yes, that's right, that's where we were. He went into the Oval Office and then Panetta came to get me because the President had another question about a memo Shalala had given him. I went into the Oval Office to talk to him, to rebut yet another criticism, and we ended up having the meeting all over again with the President, Vice President, Panetta, John Hilley, and me.

Riley: What's different this time?

Reed: The President's sitting at his desk. We're standing around him. He was asking questions, but in essence, Panetta made the case against the bill, I made the case for it. The President agonized, the President desperately tried to get the Vice President to help break the tie, and the Vice President tried mightily to avoid making the decision, to avoid tipping the balance, but eventually said he thought that the cuts in benefits to immigrants would have a harsh impact on them and that the President had a responsibility to look out for groups of people who couldn't speak up for themselves. But on balance, the welfare system was so broken and had to be fixed, and this was our chance to do it, and the benefit of the welfare reform outweighed the cuts in immigrant benefits we didn't like. The President agonized some more.

Riley: Did you get the impression that Panetta was voicing his own sense about—

Reed: Oh yes.

Riley: Panetta was against it.

Reed: Panetta was against it. As a Congressman, Panetta had written some of the food stamp provisions that the law was repealing and he was the son of immigrants, so he had strong and understandable feelings. The Democratic Party was divided over whether welfare reform was a good idea. The President wasn't deliberating over that question. The President was happy with the welfare reform provisions but agonizing over whether the benefit of welfare reform was worth the pain of the immigrant cuts. Some around that table in the Cabinet Room had been against the bill for both reasons.

Riley: What was John Hilley saying?

Reed: Hilley didn't say a lot. He had helped to get the bill that far and he very much wanted to get a bill done, and he thought that it would be much better for the President if he signed it. The

President had said at the outset—I guess I left out a few things from the earlier meeting—that we should put the politics aside because it was too difficult to predict the politics, that he felt confident that he could beat Dole in any event. He had a substantial lead in the polls at that point. The Vice President had said the same thing, "Let's make the decision on the merits, not the politics."

The other interesting complication I left out was that the Republicans, once they realized that they were going to send the President a bill that he might sign, decided to do it in a way that would put him in the most awkward possible position politically. They rushed it through in July so that they could present it to him in advance of the Democratic convention, which was coming up at the end of August, because they figured they could win either way. Either he'd veto it and they'd get to keep the issue, or he'd sign it and Democrats would be in disarray at the convention.

So back to the Oval Office. We spent about half an hour in there with him. Finally he looked up from his desk and said, "Let's do it, I'll sign it," and told me to write the statement. We went down to Don Baer's office, and fortunately we'd written a signing statement instead of a veto statement, so we made a few changes to incorporate what he had said in the Cabinet Room. The President changed into a suit, reviewed the statement, went to the press room, and announced that he would sign the bill. They asked him about his differences with Moynihan, and he said Moynihan had been right so many times over the years and he just hoped that he, the President, was right this time.

He said that he'd never been so proud of his administration as he was of the way they conducted themselves in that meeting. He felt the same way, that it was an honest debate where people were respectful of each other's differences. We waited for him in the anteroom next to the press room and he came out and he said, "Sometimes you never know how right something is until you do it." As he was answering questions, he got more and more convinced that he was doing the right thing.

He called me a few days later to say, "We did the right thing," and to tell me the conversation he had with Mayor [Richard] Daley, who said that welfare recipients had come up to him on the street and told him the President had done the right thing. It was a painful decision for many in the White House. People cried. The White House immediately went into crisis mode because they were terrified of riots at the convention.

As it turned out, the party got over it reasonably well. A couple of people resigned later, and we had protesters at one fund-raiser in New York City, but for the most part, rank-and-file Democrats thought it was a good idea, and even Democratic convention-goers were fine with it. We came up with an ambitious agenda of what to do next on welfare.

The President was adamant on that score, as he said when he signed the bill, that those of us who were for it had an obligation to make sure that it worked. So he challenged the business community that had been complaining of welfare recipients for so long to start hiring them. We set up a nonprofit to encourage that, and we proposed a big initiative to provide even more money for hiring people off of welfare. Over time, to our pleasant surprise, just as we had

predicted, the cuts in benefits for illegal immigrants turned out to be a political disaster for the Republicans, and Clinton got 73 percent of the Hispanic vote. Republicans quickly realized that they had to reverse course, and so the following year we were able to undo about half of the cuts. We got some of them back a year later.

The President signed the bill in the Rose Garden, and we brought the woman from Little Rock who had given him that great answer 15 years earlier. She had four kids; by now two of them were college graduates. He never agonized over that. In fact one of the reporters who came to the signing remarked about how much at peace he was with the decision. We spent the second term carrying out the law and making sure that some of the rough edges got fixed. It happily turned out to be the right thing.

Riley: No unforeseen adverse surprises with the way things played out?

Reed: No. Welfare recipients went to work faster than we thought; the case loads immediately started dropping. The percentage of single mothers with children who were working exploded, reached a record level, and child poverty dropped by a third. When the recession hit, everyone thought that welfare recipients would be the first to be fired, but instead the welfare rolls haven't gone up at all. So far, everything has turned out better than we could have hoped.

Riley: We've got about 20 minutes left. I'm wondering if it may be possible for me to mop up everything related to the first term.

Reed: Okay.

Riley: We talked a little bit about Dick Morris last time, and I'm trying to remember whether—you'd said you had this portfolio that came your way in '95. Did we talk fully about that last time?

Reed: You know, I can't remember if we did. I know we talked about Morris's arrival, but I don't remember whether we talked about the working relationship or not. Probably not.

Riley: I don't think so, so why don't we deal with that now? How did that come about? He comes back in early '95—

Reed: Right. He came back in and I could tell that there was some mysterious gravitational force on the President, but I didn't know what it was. Then Don Baer figured it out and told me in late March or early April what was going on and Morris was [interruption].

So Dick Morris arrives on the scene. One of my complaints about the first couple of years was that the President was getting bad political advice. Morris clearly had a political take that was more like what Clinton had campaigned on in '92. He was a complicated guy and he was a Republican helping a Democrat, and more an opportunist than a philosopher, so not ideal. More dramatic surgery than I might have hoped for.

On the other hand, we were in a world of hurt after the ’94 election, and the President needed all the help he could get and Morris gave—even though Morris didn’t appear to have many convictions of his own, he gave the President the courage of the President’s convictions. The President had wanted, I think—his frustration with the first couple of years had been that he didn’t really feel like he was running the government. Morris came in and helped short-circuit a lot of the bureaucracy that had frustrated the President.

It was a nightmare for the official government. We used to joke about how there was the “puppet” government led by the official White House staff, and then there was the secret government led by Morris. My job became to be the liaison between the two governments because Leon Panetta and Erskine Bowles, who was his deputy, felt it was very important for Clinton to have a second term agenda, but they didn’t want Dick Morris to write it. They also wanted a way to—Panetta was genuinely terrified of Morris, not just because he was threatened by Morris’s influence, but because he thought that Morris was a nut with all kinds of crazy ideas, and Morris did have a lot of crazy ideas.

Riley: And a license?

Reed: Well, he had the President’s ear, which was a license to proceed. Nobody had ever really been in charge in the Clinton administration, but Leon had worked pretty hard to make sure there were functioning channels of authority. So no one really knew how much influence Morris had, but he seemed to have quite a bit. The earliest instance of that was in the speech that I mentioned earlier, where the official government wrote a speech for Clinton to give to the newspaper editors and expected him to give it, and Clinton showed up and gave a completely different speech with a completely different message, which was a clear sign to most of the White House that they didn’t have as much control as they thought. So Panetta rightly thought that this had the potential for disaster. I was in charge of vetting Morris’s ideas to make sure that they had the “real” government’s blessing.

Riley: You said that he was able to cut through the bureaucracy.

Reed: Right.

Riley: Do you mean within the White House? Or was he adept at taking the ideas and going to Donna Shalala or somebody like that? We’ve heard stories that he—

Reed: Yes, his skill was at getting the President to be for an idea and then being relentless at pulling people into going along with it.

Riley: And your job then was to—

Reed: My job was to fine-tune the ideas. I think my job was initially conceived as fixing the ideas to make sure they were worth doing. In practice, my job turned into coming up with the ideas and giving Morris proposals that the government could actually get behind and having him take those to the President. There were a few other people who Morris turned to. At first he went around to the Cabinet Secretaries themselves; that didn’t produce a lot.

Riley: So you're using him then as much as—

Reed: In a sense, yes. He was a way to get the President's blessing and he was also, quite frankly, a useful boogeyman for the agencies because we could tell them that if they didn't like our idea, Dick Morris had some ideas they'd like a lot worse. That was extraordinarily effective. It didn't work with everybody, but it worked with just about everybody. Bob Rubin was about the only one willing to just say no, and I didn't have that many ideas I wanted Treasury to do anyway. Morris had an assistant named Tom Freedman who later came to work for me in the second term.

Riley: I saw that name and didn't recognize it and wondered where it came from.

Reed: Tom would just shake a bunch of trees. They looked everywhere for ideas. They read *USA Today*, talked to members of Congress. They did a lot of searching and they'd bring ideas.

Morris would meet with me once a week. He and Tom would come over and Morris would sit in his chair, rocking back and forth, and try to pitch me poll-tested ideas. Half of them were nonstarters, one quarter were too difficult, and a few of them were genuinely good ideas that we hadn't thought of. I'd pitch him a set of ideas to go test. We had a lot of creative people at the White House who hadn't had much of an outlet for a long time—since the campaign. The ability to do more by executive action was very liberating. It opened up a whole new field of endeavor that we'd ignored for the first couple of years.

In those days I didn't go to the political meetings, the weekly residence meetings where they were setting the strategy, but Morris and [Mark] Penn would poll everything, or pretend to poll everything—we were never sure which—and tell the President what ideas we'd come up with. The President would get very excited about some of them. In the meantime, Rahm and Don and I realized this was a great opportunity for us to help set the agenda and for the White House to be aggressive in outmaneuvering the Republicans. So we were constantly coming up with radio addresses or executive actions or new ideas that we could throw into the mix that were ways to get things done that we had been wanting to get done for a long time, and also ways to keep the President at the front of the political debate.

Sometimes we felt that we created a monster because Morris would get hold of a bad idea and not let go of it and try to beat us into submission on it.

Riley: Any notable instances?

Reed: I think most of the time we were able to talk him out of things. I can't remember what the issue was, but one time we just had to unleash Rahm on him because Rahm was the only one with as much fight in him as Morris had. So actually, far from being a constant nefarious influence trying to convince the President to do the most expedient thing, Morris ended up being more of a spur to the agencies and the bureaucracies to take action. The essence of Morris's advice is: the country wants Washington to get things done, they don't want to keep fighting.

He turned out to be very eclectic, not a dogmatic centrist or conservative. He was very liberal on the environment and conservative on welfare. So he had his own kind of New Democratic mix, which wasn't precisely the same, but it was steering him basically in the same direction.

Over time he made his peace with most of the White House. He enlisted George as an ally. I think Panetta could never stand him, but Morris became part of the furniture, part of the landscape, and he became less threatening to the White House power structure. The campaign, until Morris got himself in trouble and had to leave, was going extraordinarily well.

We were able to function more like a campaign that was running the country and less like a bureaucracy that was trying to campaign. We had a very savvy group of people at the White House who understood politics and policy and functioned better, worked better together during that period in '96 than at any other point over the eight years. It was like a basketball team that had been passing to the wrong spot for all this time and then suddenly everyone started hitting the right man.

When Morris blew himself up, we never looked back. We had gotten into such a rhythm that we didn't need him anymore, and by that point the agencies were used to the White House calling and saying, "Let's get something done." We'd worn down their resistance enough that we were able to do just as well without him as when we had him.

The down side, the price we paid for having Morris as our resident madman was that his presence made everything the President did look expedient, even when it wasn't. So we weren't sorry to see him go because, from my standpoint, the shame of it was that Clinton had laid out this clear philosophy in '92. He'd been punished in '93 and '94 because his administration had seemed to wander from it, and then when he returned to it in '95 and '96, he was criticized for being expedient in doing so, even though he was the one who came up with the philosophy in the first place. Morris was a lightning rod for that criticism from within the Democratic Party that this was all politics, no principle. He was our Karl Rove, and he was universally despised throughout the administration and especially in Congress.

Those of us who dealt with him most directly worried about him—we thought he was a very strange person, but he had occasional flashes of brilliance and, most important, he had a plan for a comeback at a time when nobody else did. We had a working model, a working theory of the case, but we didn't know how to get the President back there, and Morris deserves credit for that.

Riley: Do you have 15 more minutes, or do we need to stop? This has all been extremely valuable.

Reed: It was one year.

Riley: The welfare stuff is just so extraordinarily rich and of course is such an important part of the legacy that I'd be doing harm to the record if I didn't get everything I could on it. I'm thinking that if I could talk you into another afternoon at some point—

Reed: Yes, sure.

Riley: We've got four or five issues in '96 that you may not have had anything to do with—it was a productive year. Things like telecommunications—

Reed: No.

Riley: Health insurance portability.

Reed: Not really.

Riley: Safe drinking water.

Reed: No.

Riley: Presidential line-item veto.

Reed: I sort of watched that out of the corner of my eye.

Riley: I'll flag that. Then there were the social issues, the things that are traditionally considered the Dick Morris things. School uniforms—

Reed: Oh yes. I have a long story to tell about that.

Riley: If you're amenable, let me flag that as a starting point. We can deal with the rest of those '96 issues, get your reactions to the campaign. Then we've got the second term. It seems like a lot of time.

Reed: We probably wouldn't be able to get through it in an afternoon, given my pace. If you want to do all day—

Riley: It occurred to me when I was driving up here, we'd actually talked about doing a whole day the last time, and I only asked for an afternoon, so I'd be happy to try to come back and see if we could get this polished off. That could be our operating plan and if it doesn't work and you're amenable, then we'll do more.