



WILLIAM J. CLINTON PRESIDENTIAL HISTORY PROJECT

INTERVIEW WITH ROBERT RUBIN

November 3, 2005
New York, New York

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TRANSCRIPT

INTERVIEW WITH ROBERT RUBIN

November 3, 2005

Riley: This is the Robert Rubin interview, a part of the Clinton Presidential History Project. We, for the record, have just talked over the fundamental ground rules, the most important one being the confidentiality of the proceedings. Everybody here has taken the pledge that the only people who are free to report anything out of this room would be you or—

Rubin: Or Meeghan.

Riley: Or Meeghan. We're appreciative, very appreciative of your time. The first thing we need to do is a piece of administrative business, to get a voice identification for the transcriber. I'm going to ask everybody to say a couple of words so the transcriber can associate the voice with the interjection. I'm Russell Riley. I'm the head of the Clinton Presidential History Project.

Rubin: I'm Bob Rubin. I'm the former Secretary of the Treasury and prior to that the head of the National Economic Council.

Prunty: I'm Meeghan Prunty Edelstein. I work here with Bob Rubin.

Young: I'm Jim Young, director of the Presidential Oral History Program at the Miller Center.

Steiner: I'm Jessica Steiner. I'm a research assistant at the Miller Center.

Beckenstein: I'm Alan Beckenstein. I'm head of the economics area for the Darden Graduate School of Business at the University of Virginia.

Riley: Very good. We've all read your book, which is a good read and a public service in and of itself. It's very helpful to people who are trying to get a feel for that period. What we'd like to do is to use the interview today to get into areas that maybe you didn't deal with thoroughly in the book. There are a couple of broad things we'd like to talk about that I'll go ahead and mention now, then we'll come back to some specific questions about these. One in particular is a general set of questions about the NEC [National Economic Council]—how it got set up. More generally, how did you go about creating a new institution that got very effectively fitted into a preexisting set of economic policymaking actors in the executive branch? That's a general set of question areas we'd like to get into.

The second general set of question areas is your perception about the President himself, as a policymaker, as a President. We'd like to hear more about how he comes to Washington—you and he are coming to Washington at the same time—how both of you went about educating yourselves in the ways of Washington, and in particular, your sense about his learning curve with respect to national economic issues. Those are a couple of very broad areas, but let me come back with a more specific question.

You talk in the book and in your *Frontline* interview about your earliest association with Bill Clinton in doing some fundraising work here in New York City. I'm curious about the network of people that you were involved in at that time. Wall Street doesn't seem to be a natural community for Democratic Presidential candidates. I'm wondering, in 1992, how large was the group of people that was receptive to Clinton and who the people were that—

Rubin: On your general proposition, I don't think that's as true as you think it would be.

Riley: Okay.

Rubin: There are a lot of people now, and there were a lot of people then, who thought of themselves as Democrats, and now particularly you see it. We have had an active set of functions with some of the younger generation of people, people, say, in their mid thirties to their early fifties. It started with the [John] Kerry campaign and now it's gone on with the Democratic Senatorial Campaign Committee and so forth, particularly among these people who are hedge fund managers, private equity fund people who have a fair amount of discretionary income and for whatever set of reasons are interested in getting more broadly engaged, but back then, too.

I was not very involved in fundraising in the Clinton campaign. In fact, I did almost none as I recollect. I was not part of the fundraising apparatus, but there was a very active fundraising effort here among Wall Street people. It's true of the whole industry, but there are more Democrats than you might think.

Riley: Fine. Were you immediately receptive to being supportive of Clinton? What I'm trying to get is a picture of what attracted you to this particular candidate at that time?

Rubin: I'd only met him once and it was very briefly. Very briefly. Then in about mid '91 or thereabouts, a friend of mine, David Sawyer, and I were—he became a media figure who unfortunately has since died—were hosting dinners, as we'd done in '88 as well, for all the Democratic Presidential candidates. We usually had about fifteen people there. It was a combination of business, media, and people with political experience, but David had President Clinton as a guest for dinner. It was a remarkable evening. It was about three hours or thereabouts and he engaged with people in a way that nobody else I had seen in political life had, that sort of give and take. I left there thinking to myself, *This is a very impressive guy*. At that point, at least, he said he hadn't decided yet whether to run. Whether it was true or not, I don't know. I expect it probably was true.

But he was very impressive. When he decided to run, I got involved, but I was never very involved, almost not at all, in the fundraising part of it. He had a group—or the campaign, rather, had a group—of about a half dozen people who were referred to as economic advisors. In fact, we didn't provide much economic advice, but what they would do is—if they were doing something, they would refer to us in the press as having been involved and engaged, and sometimes we were. Then they would have the press people call us and things of that sort. We were more validators than we were advisors.

Young: Why were you a Democrat?

Rubin: Oh, that's a good question. That's a really good question. There are two reasons, basically. Probably the most fundamental one is that if you look at the world, the way I look at it at least, and you look at all the issues that you get engaged with politically, as a matter of policy, I suppose I'm in more of an eclectic position than most folks. I'm in the center someplace, although that concept of center keeps changing. I could have been a moderate Republican or a moderate Democrat, a centrist in either one, except if I look at where I am and then look at the people who are left on the spectrum, I relate to their values and the things that concern them. I may not agree with them on certain—There are a number of areas where I don't agree with them, with respect to their policy ramifications and what they think, but their concern for the poor and their concern for having a society that works for everybody instead of just for a few, the notion that you can't put people out on their own to pull themselves up by their own bootstraps, and you have a society that helps people when they need it, all that sort of thing. While I don't agree with some of the policies, for the most part, I agree with their values.

When I look to the far right, and I see people who believe that everybody should stand on their own two feet, that people who can't make it should be allowed to fall by the wayside, and all that, I can't relate to that. I'm much more comfortable being a Democrat because the people who are off in the other extreme of that party, for the most part, I share values with or share basic perspectives with and I don't over here, so that's the first one.

The second reason was that my family has been Democrats. My grandfather ran the most powerful political club in Brooklyn and I just grew up that way.

Young: Almost natural in that—

Rubin: He was a delegate to the '36 convention.

Young: You spoke of certain of the Democratic values you shared, the concerns of the Democratic Party traditionally. What about their fiscal history and stance on fiscal or economic policy? Because you brought something to the table there that wasn't clearly in their—

Rubin: Certainly the Clinton administration brought something. You're obviously right. You go back into the '80s—I used to do a fair bit of engaging with people on that issue of fiscal discipline at a time when many in the party were not there. The Republicans were there and we weren't, although [Walter] Mondale, despite being seen as a liberal by a lot of people, actually had a very good sense of how important it was. As you may remember, in the convention he

said, “I’m going to raise taxes. I’ll tell; he won’t.” It didn’t work politically. They had too many other problems, but that just exacerbated an already difficult situation.

But Clinton—I’ve always felt he started out with a very internalized sense that if the numbers don’t add up, it isn’t going to work. I think he had that coming into the administration. Certainly Lloyd Bentsen, Leon Panetta, and myself, others, had that very strongly, but I think in some sense we were just ratifying his own view.

Young: There was a bit of history I remember. We started out in this business with an interview on Jimmy Carter and his White House lieutenants. He would announce always, “I’m a fiscal conservative but a social liberal,” and the fiscal conservative didn’t play very well in the dominant wing of the Democratic Party at the time, so I’m trying historically to think. There was—

Rubin: There’s been a change, though.

Young: That’s what I was going to ask.

Rubin: I remember during our administration in the second term sometime—I would guess ’97, but I’m not sure. I was at a Senate caucus meeting and Joe Lieberman stood up and said we’ve become the party of sound economic policy. That’s a paraphrase, not an exact quote, but that was the gist of it. What he was referring to, I believe, was that the Democrats had become the party of fiscal discipline. As you correctly say, if you went back to 1982 or 1983, or back before that, it certainly was not where the party was.

Riley: I wonder if we could bring you forward to 1992, because in reviewing the period of the campaign, there seemed to be competing strains of thought within the Clinton campaign. There was the investment and spending agenda, then there was the sort of deficit-attention agenda. Were you involved in trying to pull the President, or the Presidential candidate at that point, in a particular direction, or do you recall being engaged in debates at the time over those issues?

Rubin: It’s interesting you frame it that way. At that point in the campaign the so-called twin deficits, the fiscal deficit and the deficit in public investments, would all fit together into one program that eventually wound up in that little booklet *Putting People First*. During the campaign, at least, they put together a bit of a budget. It was an attempt—it wasn’t a rigorous budgetary process, but it was something of an attempt to put it together in a complex way. As you know, when they got all finished with it, they had room for a vigorous public investment program, a middle-class tax cut, and deficit reduction.

Now, they weren’t governing, and it’s fair to say that some of the assumptions in that were a little bit permissive, but fundamentally, that was a framework that worked. It was only after the election, when [Richard] Darman put out that last set of projections—I remember that very well, that last set of projections—and greatly increased their projections looking forward of the deficits, that we had to go to President, or President-elect, actually, Clinton, and say we have to reconfigure this thing because the configuration you have is based on numbers that no longer are

applicable. That's when, unfortunately—well, I don't know if it was unfortunate or not—but that's when he had to give up his middle-class tax cut and he had to scale back his spending.

Young: Was the size of the actual deficit as it appeared a surprise?

Rubin: Yes.

Young: It went up considerably, didn't it, from what had been projected?

Rubin: Oh, yes. I don't remember the numbers, you'd have to get them, but absolutely, it was a substantial increase. None of us were terribly anxious to go in and sit with him and say, "Mr. President, that means you have to reconfigure." He cared a lot about this stuff. It's something you know as well, I'm sure, but he is somebody who cared deeply about these issues. He had very deeply held views and we had to tell him that this configuration that had worked would no longer work. On the other hand, he faced it and he made the decisions he thought he had to make. I think he made the right decisions.

Young: Would you define that as a pretty important moment?

Rubin: Yes.

Young: When Clinton had to make a choice as to which was more important or what was the predicate of the social program.

Rubin: You got it right. He had to make a decision as to what was going to have priority in that early stage. He was right about this; he had to do the fiscal discipline to most effectively promote recovery. He needed all that as a base for pursuing these social programs. I think you have it right.

Clinton always struck me, and still does, with how much he knew about this stuff and how thoughtful he was about it. You had a President who really understood this stuff. He could sit there and understand exactly what you just said, that you made one set of choices, now you have to change them some because this was different. If the President, or President-elect, didn't have that kind of an understanding, I guess he'd always just accept what you said, but I don't see how he could have engaged as Clinton engaged.

Young: How did he come by this understanding? He wasn't a student of these things, was he?

Rubin: Well—

Young: He had been a Governor and maybe—What was it?

Rubin: You say he wasn't a student. In some sense, you're right.

Young: A professional student.

Rubin: No, no, but your point is a student in the nonprofessional sense. He was surprised during that first year when he realized he had budget caps to deal with. Somehow he hadn't realized that. On the other hand, he knew a lot about this stuff, at least in part because as the Governor, he had developed an understanding of the parts of the federal budget that related to his role as Governor, where he could get resources from. Beyond that, he was and is a person of immense intellectual curiosity.

Beckenstein: What was his leadership role in the DLC [Democratic Leadership Council]? The evolution of some of these ideas from the Progressive Policy Institute played a role, didn't it?

Rubin: Sure. That's a good point. It certainly gave him a place, an institutional organization with people who knew a lot about this. I presume—I was never a part of the DLC, so I can't speak to this from my own experience—it certainly gave him a place to interact with people who were very knowledgeable. I suspect that must have added to his understanding of these issues. Good point.

Beckenstein: That was a time when the economy was very difficult to understand what was going on. There was the downturn and the mini oil shock during the first Gulf War, so the economy wasn't rebounding very well. At this point it had more to do with structural macroeconomics, which had tradeoffs with the cyclical, so the ability to make a decision to go for the long-run structural approach was quite a big step forward intellectually.

Rubin: It was a very big step, but we—I think that's the right way to frame it. We thought about it just a touch differently than what you just said. You'd have to check my numbers. I think it was the last quarter of '89 and we were starting to see the economy all of a sudden weaken. Then you went into the early '90s. You had the recession and so forth. Rightly or wrongly, our view was that the deficit-reduction program was the best thing we could do. It was a not sure thing at all, but the best thing we could do for both the short term and the long term. You're absolutely right, it was a long-term structural change, but it was also our view that it was the best way to try to promote recovery in the short term. The thing we were afraid of—Alan Blinder, I particularly remember, having made a presentation on this at our first meeting with the President-elect—was that if we went to a conventional Keynesian [John Maynard Keynes] expansion in fiscal policy, there was a real risk, given that we already had big deficits, that what you'd get was a more-than-offsetting increase in interest rates. That's what we said to him.

We said, "Look, there's no guarantee this is going to work." I guess in those we days we called him Governor or whatever, I don't know what we called him, frankly. He actually said for us to call him Bill, but he called himself the leader of the free world [*laughs*].

Young: He did?

Rubin: He did. I remember coming into his place during the transition. He said, "You know what?" I said, "What?" He said, "I'm the leader of the free world." I said, "Well, that's nice, Mr. President." [*laughs*] He was a very funny, funny guy. We thought that both in the long-term structure and the short-term cyclical, the same policies served both purposes.

Riley: There were some accounts after this period that Alan Greenspan had played a part in helping move the President-elect in the right direction. Do you have some knowledge about this?

Rubin: I do.

Riley: Okay. Would you tell us your account of—?

Rubin: I'm going to tell you what my account is and that is what actually happened. *[laughs]*

Young: Good.

Rubin: There may be various other accounts. Yes, sometime during the transition Greenspan came down and met with Clinton. Then at some point Greenspan was telling people that the Federal Reserve Board had a model, which they do, which shows that for every change of 1 percent in deficit as a percentage of GDP [gross domestic product], you get a 60-basis-point change in longer-term interest rates. I noticed that the National Bureau of Economic Research sometime a couple of months ago put out a new—There's a lot of dispute about what that number ought to be, but they put something out saying that—I believe it was 40 to 60 basis points or something. In my book I used 40, didn't I?

Prunty: It wasn't 60, I don't think.

Rubin: No, it wasn't 60, because I didn't want to go to the far end. In any event, that's what Greenspan did. Greenspan was a very constructive force in that sense, but all the discussions we had with President Clinton were framed in terms of what effect is this going to have on the bond market. Then we talked about the Fed, but it was the bond market that drives the economy and affects interest rates, too. That was really at issue here.

Bob Woodward, when he wrote his book—He's a very good journalist, but he said that Greenspan and Clinton had made a deal. I was at NEC. I was certainly totally unaware of it. Nobody else on the economic team knew anything about it. I asked both Greenspan and Clinton whether that was so and both of them said no, so I didn't put that in my book. *[laughs]* There was a memo of some kind. I don't remember now precisely what it was, and Bentsen had written on there something about Greenspan—

Prunty: It was the memo for that meeting—

Rubin: Was it the meeting?

Prunty: The January 7th meeting.

Rubin: And Bentsen had written something on there about Greenspan. Woodward may have inferred from that—

Riley: Oh, I see.

Rubin: Bentsen I couldn't ask, unfortunately. As you know, he's not well.

Riley: Exactly, and that's one of the things we'll want to get you to talk about.

Rubin: But I did ask both. In writing my book, I said to President Clinton, "This is what the books says, what Maestro says. Is this so?" and he said no. Then I asked Alan the same thing and he said no. I said, "I may put this in my book. Do you mind if I quote you, or cite you, rather, not a verbatim quote?" He said okay. They both said it was not the case. But I can't conceive that we would have had all those discussions, first during the transition, then in the Roosevelt Room, about what to do, how much deficit reduction to have, how the budget should be framed, if in fact what was sitting there was a deal that had already been made. There's no question that it did not occur.

Riley: It's very helpful.

Young: Yes, it is.

Rubin: I didn't put it in the book because I decided why should I do that?

Young: But it's an important corrective for history—

Rubin: It is. Maybe I should have put it in the book, but I didn't feel like it.

Riley: This is exactly why we're doing this. Otherwise, people who will come to this in the future will—This is the closest contemporaneous account.

Rubin: I think there's zero chance this could have happened without my knowing about it, but even beyond that, I did ask Bill Clinton and Greenspan; they're pretty good witnesses.

Young: The first person we tried to interview for the Clinton project—We operate on the actuarial imperative [*laughs*], that is, the older or more infirm we try to get to first, but Bentsen had already had a stroke by then, so it's a real gap. Anything you can fill us in about Bentsen and his role during the course of this interview would be very helpful.

Rubin: Okay.

Beckenstein: In the early formulation of the budget policy and the deficit-reduction policy, how much did the experience of both Congress and the [George H. W.] Bush administration come to play in the sense that both frustrated attempts to find solutions to the budget problem? We could go through them all, but we all know what they were. There was one failed attempt after another in rapid succession. There was Bush 1, Bush 2, various Congressional rules implemented. What was the learning of that as it shaped how you would put a process together to get past it?

Rubin: To be quite honest, I don't think on process we learned anything in particular, because that passed only with Democratic votes. In retrospect, we should have tried to do something. I don't think we would have succeeded. I think they had made a political decision, but I don't

know that for a fact. We should have tried to reach out more effectively than we did, although, that said, I'm not sure it would have done any good. But a big effect it did have was that if you look back to the—

I've forgotten which Bush budget this was, but it must have been the budget that came out of Andrews. There was a lot of noise about that. Our people looked at it—I was at Goldman Sachs at the time—and said the assumptions in this thing just weren't realistic. They were rose-colored-glasses assumptions. Our people, within ten days, whatever it was, of this becoming a public document, had discounted its effect, the fiscal effects. During that first meeting of the transition, which I believe was January 7 of '93, Clinton turned to Leon Panetta and said, "Look, I want to have realistic assumptions. I'll fight and argue all day long about policy. People can attack my policy, but I don't want them to be able to attack the integrity of my numbers." That's pretty much what we did throughout.

Some years later in the administration, in some of our budgets, we would put in assumptions about the reduction of nondefense discretionary in the out years, say, three, four, or five years out, which we didn't have specifics for and clearly were going to be hard to achieve, but fundamentally, he stuck with that instinct. We used to sit and have very serious academic discussions about what rate of growth seemed most likely; not what rate of growth would give us the budget we wanted, but what rate of growth was most likely. There are technical issues about health care, which I don't know anything about, but what we should use for those. It was a very serious process.

Riley: Did you find him a quick study?

Rubin: Clinton?

Riley: Yes.

Rubin: Oh, boy. He's a very quick study. He must have something close to a photographic memory, because he remembers stuff that I don't understand how he could otherwise. Yes, he was a very quick study.

Riley: As somebody who was a political figure from a small southern state, did he have a pretty good grasp of the kinds of issues that you dealt with on a daily basis on Wall Street?

Rubin: I think the answer to that is yes, although he certainly had not—Let me bring in two pieces. He had a keen awareness of national economic issues. I think that came because when he was in Arkansas he reached out to try to get foreign companies to invest, plus he'd been to Oxford, and the stuff interested him. That's just the way he's oriented. The answer on that is yes. I would say he had a good feel for the—I'm going to say two things that sound conflicting, but they're not. I would say he had good feel for this notion of deficits, how they relate to interest rates, and all that sort of thing, and confidence and the rest.

On the other hand, he'd never been part of markets. Sometimes he would have a good intellectual understanding of it. I used the word "feel." I shouldn't have used that word. He had a

good intellectual understanding of it, an exceptional understanding, but less of a *feel* than somebody who'd been there and had done it. I'm not sure that ever mattered, because if you were saying something to him, you would say, "Mr. President, I think we can do this to help promote confidence and confidence will help in this respect," like the Asian crisis or Mexico, whatever. He would ask questions and would need to understand what it was that we needed to do.

Riley: Did he have any noticeable blind spots in your area or anything that seemed to be particularly vexing to him intellectually?

Rubin: Those are two different questions. I don't think there was anything that was vexing intellectually—"vexing intellectually" meaning something he had trouble coming to grips with. On the blind spot thing—I'm not going to call it a blind spot, but I think he never had the same view I have, at least. Maybe I have a blind spot, but he never had the same view I would have on tort reform. The American tort system is a very serious economic problem and is imbalanced. He had a very strong sympathy for people who were hurt in some fashion or other and for preserving their right to redress. That's important. I don't disagree with that, but we're out of balance. I don't know what he would say to whether he thought we were out of balance or not, but clearly his whole visceral sympathy was with people who are hurt.

Riley: Let me finish it out—

Young: I want to go back to something on the NEC.

Riley: Right. One of the components of the Putting People First agenda was a corporate responsibility piece. I'm wondering, was that something that either wasn't very central or did it frighten people?

Rubin: Was that in the book?

Riley: No.

Rubin: You know, I don't even remember it.

Riley: Okay. That's telling.

Rubin: I'll give you my personal view, for whatever it's worth.

Young: Sure.

Rubin: The notion of corporate responsibility is a somewhat complicated issue because if you take the—I'm not saying he has this view, by the way. I don't know what his view is. If you take the notion that corporations should engage in some activity, whatever it may be, other than produce, serving their purpose of profit making—You see a lot of this now with respect to emerging markets. On the one hand, you could say yes, that's a good thing to do.

On the other hand, you're far better off having an effective economy and having government meet these other needs. It's very interesting to look at countries where corporations have been looked to for all kinds of non-profit-making functions. That can have serious adverse impacts on your economy. You're much better off if companies do what they do best, then have the government provide all kinds of things that markets by their nature aren't equipped to do. But that's my view. I don't know what his view is.

Riley: Okay.

Young: About the NEC, these are questions about the philosophy or the concept. Let me put the question in a ridiculously simple form. Was there a policy outline or a policy goal that preceded the NEC, so that the NEC was a concept to implement something that had been already agreed on? What problem was it supposed to fix?

Rubin: It was supposed to fix a process problem.

Young: I see. Okay.

Rubin: Originally, as you may remember, it had a slightly different name. It was called the Economic Security Council or something like that.

Young: Was that deliberate, to make it like NSC, the National Security Council?

Rubin: Yes, I think it was. But the idea had always been that—President Clinton thought Bush 1 had had his national security issues very effectively coordinated. They managed to get everybody to the same table and could share their views and bought in and one thing and another. But he felt that, with respect to economic issues, they hadn't done that, which they clearly hadn't. But also, as you look back, he thought there was a problem in the sense that every administration had struggled with this idea of how to get all these different agencies that are involved in so many of these issues together. In his judgment, at least, nobody solved them terribly well, although President Ford had had Bill [L. William] Seidman do something. I don't remember who it was anymore, but it had some of this aspect about it. Well, I happen to know both Bill Seidman and Bill [William E.] Simon, who was then Secretary of the Treasury. Bill Simon's died, unfortunately, but they used to argue about which one had coordinated all this stuff, so that wasn't quite—

Young: Sure.

Rubin: Although anybody coordinating Bill Simon, that's hard to conjure, if you knew him—Clinton's notion was that he needed to find some instrument to address this problem that in some sense no President had solved, so the NEC was set up. But the thing about the NEC that's worth remembering is not only was it a *concept* that made some sense, but—This is what people didn't realize. Some people think of President Clinton as being a little bit disorderly about things, some things. But he made this thing work. This thing had every possible reason for failing. One of you said it, I've forgotten which, how do you impose this on top of the already existing structure?

But he made it work. The way he made it work was that from the very beginning he worked through it. He didn't let people go around it. It was during the transition that he called one day. I was over at Goldman Sachs at the time, but I'd already been named to be head of this thing—I guess I'd left the firm, but my office was still there or something. He said, "We're going to have a discussion about NAFTA [North American Free Trade Agreement]. We created this NEC; I want to use it. You call the meeting. You get everybody together and I will do this through you."

That's what we did and ever after he used it. He worked through it. When some people would occasionally try to go around it—I must say, people cooperated extraordinarily well, but when they tried to go around it—he would refer them back into the process. If he had allowed people to go around it, the thing would have died. I give him tremendous credit for the sort of managerial—not only the insight to set it up, but for the way in which he operated it.

Beckenstein: Just to be sure, Jim phrased the question originally about whether it was a particular problem in mind that inspired that.

Rubin: That's right. There were two. One was what I already said, that he felt that no President managed to get it. But within the full range of economic issues, the ones he first focused on were trade and international, because those involve so much conflict. Maybe that's another reason why he called it the Economic Security Council.

Young: Along that line, was part of that thinking on his part the disconnect so often between international economics, or economic policy as related to national security or foreign policy, and as related to domestic? Did he want to bring in—?

Rubin: Oh, yes—

Young: To integrate, so you don't give international economics to NSC under the trade representative only? And you don't treat domestic fiscal and economic policy as if it were in a separate compartment? Did he perceive that as a problem to be solved?

Rubin: Yes, he did. Something that happened that's interesting, he wanted to integrate two different things. He wanted to integrate domestic and international economic policy and he wanted to integrate international economic policy and so-called foreign policy. He had two things: the domestic and international economic policy integrated by having a National Economic Council and international economics and the foreign policy. There's a natural tension there. It was Tony Lake's idea or maybe Sandy [Samuel] Berger's, how to do this better.

One or the other called Bo [W. Bowman] Cutter and me during the transition and said instead of you having an economic staff and the NSC having an economic staff, why don't we have one economic staff that will report to both? That's what we did; that helped integrate across both. That was not part of the original idea, but as I said, that was either Tony or Sandy's idea. It wasn't mine.

Riley: We've heard that from a number of people. That's a model that—I guess if you're in a Harvard Business School class they wouldn't recommend a situation like that, yet it seemed to work very well in this case, didn't it?

Rubin: It worked very well. If we'd had two separate staffs, it would have created all kinds of problems. But there are very few issues in life I can think of that I would go to the Harvard Business School for advice on. [*laughs*] That doesn't surprise me.

Beckenstein: The people you picked, though, to be that staff would be critical to allowing that to work. One of them is a friend of mine, Bob Kyle.

Rubin: Bob was a key person.

Beckenstein: So, if you picked the right people, they could manage that?

Rubin: Absolutely. Bob turned out to be exactly the right person because Bob—I don't know whether he had a preexisting relationship with Sandy Berger or not, but—

Beckenstein: At Hogan.

Rubin: Did he? Sandy certainly had great respect for him and so did Bo. Here you had Bob, who was the key trade person on the White House staff, highly respected by both these people, at least after we went on, and if they knew each other before I didn't realize that. That's exactly right. This goes back to the Harvard Business part.

Beckenstein: Well, they're one of our big competitors [*laughs*] at Darden, the University of Virginia business school.

Riley: I wanted to ask you about your own appointment. Were you surprised to be asked to head up the NEC? Were there other positions at the time that you felt like well, maybe—speculating what you might be doing, what you might have been considered for, other posts? I'm trying to get a sense about what your expectation—

Young: Like Secretary of the Treasury, for example?

Rubin: Yes. I never thought that—I don't know what this may say about me, a deficiency on my part, but I never thought that he would seriously think about me as the Treasury Secretary. In retrospect, he probably was, but Bentsen was far the better choice. Bentsen was experienced in Washington; I wasn't. Bentsen knew a lot about these issues from having been Chairman of Senate Finance. I knew a fair amount about markets, but he knew about the policy issues. He was certainly far better equipped by virtue of his experience to be the out-front person, the point person. I think he made absolutely the right choice. Whether he seriously considered me for that or not, I don't know. Things have happened since that have caused me to think maybe he did seriously think about it, but he clearly made the right choice. My interview with him—I think it's in the book—

Prunty: It's a good thing to talk about.

Rubin: Yes, it was very strange. He called once. He said come down, so I came down. I spent a long time with him. I've always remembered it as being two hours. It was a long, engaging, interesting conversation, with all kinds of things except economic policy. When I left there, I called my wife and said, "I spent a lot of time with him and it was really interesting, but I don't know what he was trying to do. I don't know why he had me here. I don't know what this was about."

What I subsequently realized was that it was very clever on his part. He knew where I was in terms of policy, there had been enough of that, but I think he wanted to get a sense of what I was like as a person. With the judgment he had, and he was right about this, he surely needed to know what people thought about issues, but if this was going to work as a team and if I was going to occupy a position that had a lot of interpersonal sensitivity to it, he needed to get a better sense of what I was like as a person. It was very perceptive on his part.

As I said before, in some ways he's disorderly, but in other ways he's very gifted managerially, very skilled, talented, if you will, managerially.

Young: He has a good feel for people who work with him, who work for him?

Rubin: A good feel for people?

Young: He was obviously getting a feel for how you would have worked as a person in relation to himself and to other people.

Rubin: Yes. He had a good feel for people. Yes, I think he did. It's not something I thought about before, but yes, he did.

Young: But at least in the economic policy sphere, if he was setting up a process toward an end, that would require people who might be in conflict, or competitors for influence. He didn't want that to continue; he wanted to overcome that and put himself into the process in a productive way. Obviously, his judgment about the people had to be very good, because if it hadn't, then it wouldn't have worked.

Rubin: That is absolutely correct. If you picked somebody for the NEC who led with his or her ego or who insisted on being first among equals or being out front or whatever, that would have undermined the whole thing. Similarly, for the Cabinet position, particularly Treasury, if you put somebody in who wasn't prepared to work within the system—

Young: That had been a part of a problem in the past, hadn't it? That the occupant of the Secretary of the Treasury was not universally so. It varied with the person and with the administration, but traditionally, the Secretary of the Treasury has been thought of, at least thought of himself, as the lead person in these—

Rubin: The Secretary of Treasury *is* the lead person, certainly the lead public voice, no question about that.

Young: Yes.

Rubin: It's a mix. In one sense, the Secretary of the Treasury is the public voice and he or she is also a leading figure in the formulation of policy. On the other hand, the person in the White House is also a leading figure, in different ways. The Secretary of the Treasury has this enormous institution behind him. He comes and sits at the table and expresses his views on one thing or another. The person in the White House is coordinating things and has a lot of direct contact with the President. They both, in their own ways, are leading figures, but your point is still right. If you had the wrong personality in either of those two jobs, I don't think it could have worked.

Young: Excuse me. I don't want to beat a dead horse here, but the National Security Council, the experience, the historical experience, with that has been almost inevitably— It became much more operational than it was conceptually at the beginning.

Rubin: Right. You're exactly right.

Young: You've had very different experiences with a Mac [McGeorge] Bundy or somebody in that position, or Henry Kissinger and [Ronald] Reagan's experience with his people: five National Security Advisors, what's going on in the basement, that kind of thing. When you look at the NSC and then look at way back to the beginning, where the Secretary of the Treasury was to report directly to Congress on fiscal matters under [Alexander] Hamilton's first program, you begin to see what an extraordinary, historically extraordinary, situation this was that was going on in the field of economic policy in this administration. I'm trying to get at what was the mix of things that made it work. Where did it work best?

Rubin: You raised one more point that I have not mentioned, which you're right about. The NSC had become operational, of course, on a lot of issues; very often they were operational on exactly the same issues the State Department was.

Young: Exactly.

Rubin: Which inevitably led to problems. We were very conscious of not being operational. It turned out that on a few things like base closings, for some reason, we did wind up being operational. I think it was because there was a distrust—for all kinds of reasons, there was distrust—about where else we might have done that, but fundamentally, we were not operational.

Riley: Meaning? Not operational. What were you?

Rubin: All right, we were fully engaged with policymaking, but we weren't engaged in the implementation of the policy. If we decided on negotiating a trade treaty with Japan, we didn't do the negotiating. The trade representative did.

Riley: What did your experience in the financial community bring to the table?

Rubin: Can I just say one thing? In terms of making this thing work, there were two essential ingredients. You said them both. One is you had to put the right people in each of the relevant jobs so the people would be at least reasonably willing to work with each other. Secondly, you had to have a President who understood how to function in such a way as to support the process.

Young: Sylvia [Mathews] mentioned—when at some point we were talking about hoping we would have this interview, she said it’s how do you make a new institution like this work. Basically, she was observing it’s because you make it valuable to others, to the President and to others. That seems to me to be a lesson worth learning.

Rubin: You had to try to think of each Cabinet member as a client. Then what you had to try to do was to function in such a way that they felt they were better off with it than without it, which is exactly what you said. I’ll give you one good example. I remember Ron Brown came to me once in that first year and he said, whatever the issue was, “This is a real Commerce Department issue. I don’t want to have to do all this stuff and let everybody else—I don’t care what other people think. I want to do this.” I said, “Well, look, Ron, we could operate that way. You could do that, but don’t forget, you don’t feel you need people at the table for this issue, which is predominantly in Commerce, but you’re at the table for all these other issues, which are predominantly elsewhere.” He said, “I like that part.” I said, “Yes, I understand, but these two parts come together.” And it was fine. He was fine.

Beckenstein: I was getting at the issue given your background, which had very little to do with government. What did Clinton think you would bring to the table in that job? Was it more you and your management style and capability or was there a benefit to having somebody who was an established member of the financial community as well?

Rubin: That’s a good question. I don’t know the answer to that. If you do see him, and I presume you will, that’s a good question to ask him. I don’t know whether he realized at the time how important it was—but you can certainly see the current administration, where they have not had it—that somebody who’s senior, who the markets look to and say this guy’s been part of our world. I honestly don’t know the answer to that.

He did say to me during this two hours I spent with him, “A lot of people with the campaign wanted to speak to me or they wanted to speak to George Stephanopoulos or James [Carville] or whatever. You always just spoke to whoever was doing your stuff, the staff people, Sylvia, Gene [Sperling], or whatever, even though you were a senior partner at Goldman Sachs.” I think he saw that as indicative of something about personality that related to getting somebody who would work together with everybody.

Riley: We’ve mentioned on several occasions the importance of having the right people in these key positions, I’m wondering if we could get you to talk a little bit about the people who comprised the economic team. Tell us a bit, from your perspective, what it was that these people individually brought to the table, what your working relationship with them was, and again, because we’re trying to understand this from a historical perspective, if there were particular

difficulties you might have encountered, either with individual personalities or with your working relationships with these folks. You have Lloyd Bentsen, Leon Panetta, Bob Reich, Laura Tyson, Ron Brown you've mentioned, Alice Rivlin, Gene Sperling, a real cast of stars, but what we don't have a very good picture of yet is the sense of how all of these people became a team and what their strengths and weaknesses were in the team.

Rubin: That's a good question, why they became a team. I can't exactly answer that, except to say that from the very beginning President Clinton in his own way insisted it be done that way. But he didn't insist in the way a football coach might, by yelling at people or by handing down rules. It's just the way he operated. It was accepted, it was a norm, if you will. It was a norm from the very beginning. I was part of a culture at Goldman Sachs that had something of that about it. It was a norm in the sense that if you didn't do it, it was viewed as bad behavior. That doesn't mean people didn't sometimes go around it in one way or another, either with the press or with the President or whatever, but it was a commonly shared norm everybody lived by and talked about and talked about each other with respect to.

In terms of the people, he established that simply by the fact that that was what he wanted. It was what he said he wanted, and he operated and lived the economic issues that way. In terms of the people, it was a remarkable group of people. It really was. I don't know exactly what we'd say about them, but—

Young: Let me ask in a somewhat different way and put it as a question of your own management or leadership style as head of the NEC. After all, he did pick you and he made a very apt choice there, I need not say. What was your management style as against, as distinguished from, what Clinton wanted, even though it may have been the same thing? How does a person in this position manage all these things?

Rubin: My style fit what he wanted because I didn't want to promote myself. I didn't want to be out in the press. I did a certain amount of press because it came with the territory. In fact, during the transition, I went to see Brent Scowcroft, whom I'd never met, but he was just immensely gracious to me. I've since gotten to know him. I have overwhelming respect for him. One of the people I went to see was Roger Porter, who was Domestic Policy Advisor. Roger said to me that he had decided not to speak to the press at all because he felt that was the role of a White House advisor. Then he said to me, "I'm not sure that was right, because there are two sides to it. One problem is that if you're never in the press, then people assume you're not important. That's not at all the case. I have a very good working relationship with President [George H. W.] Bush and there are things he tells me I don't think anybody else in the building knows." He told me that.

I had the view that if you had this job, one of the things you did was to try to publicly promote the President's policies, but I wasn't looking for publicity for its own sake. I wasn't looking for a public profile for its own sake. That helps, because if you have somebody in there who is out to try to make themselves a public figure, others will quickly come to resent it. Most importantly, everybody's different, I suppose. I didn't have an ego problem in being a staff member while all these other people were Cabinet members. If I said I thought we should do X and somebody else said we should do Y, I didn't feel that if I didn't get my X that somehow I'd lost something. I felt

very strongly about a bunch of stuff and felt I was entitled to advocate my own view as long as it was absolutely clear that in managing the process, I was view neutral. It just worked.

Young: That's reminiscent of Brent's style.

Rubin: I would bet he functioned that way. I don't know that.

Young: I think it worked most of the time. But it was his—

Rubin: I'm not saying any of us were perfect. There may have been times where I didn't

Prunty: Didn't you sometimes bring people with you, Bob?

Rubin: Oh, that's a good example.

Young: What's that? I didn't hear.

Rubin: I would have briefing time with the President, fifteen minutes or whatever it might be. Originally it was a couple of times a week, but I didn't need it because I didn't have day-to-day things the way the NSC did. If I didn't need it, I just cancelled it, which a lot of people thought was a little bit unusual. I would call down to the scheduler and say I didn't need it. As Meeghan said, correctly, there were times when there'd be an issue that was controversial within the team. I had one view and would very often ask the person with the other view to come with me to the briefing, so it wasn't simply a relying on my being view neutral and giving him a memo with all the things; they'd be in there with him. If Bob Reich and I had a difference, I would say, "Bob, why don't you come with me so the President can hear from you what you think?" In those kinds of things people get to trust the process. That's the way you have to do it if it's going to work. It wasn't that they *have* to do it, but that is *a* way to do it, at least. It helps it work.

Beckenstein: Isn't that partly because the economic foundation of the President's approach wasn't ideological? It was more a problem-solving mode and very open to all suggestions, as compared to Reagan, with supply-siders versus monetarists and all that. That legacy must have played a role.

Rubin: It was a very big deal. Let me distinguish for you two things—I was thinking of this the other day. I was with President Clinton earlier this week when he gave a remarkable speech at the Concord Coalition. I was thinking about something he said as he was saying it. I think that's exactly right; he was not ideological. That doesn't mean he didn't have some strongly held views. He did have strongly held views, but because everything ultimately became a question of facts and analysis, as you said, if he had a strongly held view about something, whatever it might be, you could go to him and say, "Mr. President, it's your view and you have all kinds of reasons, but here are a whole bunch of facts that are different. Here's our analysis."

If you're an ideologue, you don't care about that. If you have deeply held views but ultimately everything is a matter of facts and analysis, then you listen and you weigh and you balance. That's what he did. It does surely work. That certainly was an important part of why it worked.

On the other hand, even if he had been an ideologue, if you have an ideologue and the ideologue says, “These are my five things you’re going to do,” I suppose it could have still worked, but it would have been a very different process. You could still use it to organize everybody around those five ideological—

Beckenstein: The creation of the NEC fit very well with that.

Rubin: Absolutely. That’s a good way to put it. This was a man who wanted to know everything he could about every decision he made. Obviously, at some point you have to cut off the process and make a decision. The process really fit how he functioned. It’s a good point, actually. That’s a good point.

Riley: Do you remember any instances where people on the team felt that you, in fact, didn’t fill this role, that you weren’t honestly presenting their views? That’s not meant in an accusatory fashion, just—

Rubin: No, no. There may have been people who felt that way about one thing. It’s the only issue I ever thought it would have been a big mistake to have discussed internally. We had had the position from the very beginning—Roger Altman and I were the ones most focused on this—that Clinton ought to have an unvarying and consistent position of supporting the independence of the Fed, which is quite a difference from prior administrations. It really is. I did not realize how historically different. I knew from my own experience on Wall Street that that could contribute not only to the credibility of the monetary policy, but to the credibility of the President.

I apologize, I’m not remembering when this was, but sometime toward the end of the first term, we had a meeting in the Roosevelt Room. We used to have regular NEC meetings for a while, every two or three weeks. Somebody said we don’t think monetary policy is what it ought to be at the moment. We should have a debate about it. Why shouldn’t we all be able to contribute to that? I said it was a bad idea for two reasons. One is you’re not going to change Greenspan’s view. It’s going to be what it’s going to be; secondly, if it ever got out, outside, that we were debating monetary policy in the White House and whether or not the President should go out and express his own views on monetary policy, it would undermine our credibility. For both reasons it didn’t seem that that was a fit subject for the NEC. It may have been—Actually, people acceded to that.

Riley: This is when you were still at the NEC?

Rubin: Yes. I’ll tell you when it was. It was ’94. When I said the first term, it was in ’94. I remember when it happened. At the time, the markets were a little bit uncertain and there was a general sense, a little uneasiness. I don’t remember the particulars much anymore. One of the things we said was you have some uneasiness anyway, you don’t want to exacerbate that or contribute to it by doing what I just described. I imagine there were some people who felt differently, I don’t know.

Young: From time to time pressures arise from the political people to beat up on the Fed.

Rubin: Yes.

Riley: That *we*'re not to blame, *they*'re to blame for this.

Rubin: It's a very tempting thing to do.

Young: That can have, you're saying, quite negative consequences in terms of process in the markets?

Rubin: That has the possibility of a negative effect. The other thing that can happen—President Clinton had a view, and he was right, that— You may remember this. You go back to '94, the conventional wisdom in economic circles was that when you start getting below 6 percent unemployment, it was likely that markets would be too tight for labor and you'd get a lot of inflation. Clinton and [Albert] Gore [Jr.], both actually, said, "How do we know that's true?" Clinton, for whatever set of reason and instinct, said it wasn't true. I don't know why.

At one point he said, "Why should they—" they being the Fed— "be operating on that assumption? We don't think it's right." There were substantive reasons, too, why some people thought, but ultimately everybody agreed that we shouldn't get into the business of publicly, or privately for that matter, second-guessing the Fed.

Young: I do remember a shot during the President's first State of the Union message up in the gallery—

Rubin: Oh, wow.

Young: There was Hillary Clinton and Alan Greenspan, and I thought that sounded a note that one should pay attention to.

Rubin: Very clever of him. I thought what you were saying also was a good point. It may be that some of the political people felt that *their* views were not adequately represented in the decision making. I don't know that. Initially at the NEC meetings, we only had the economic team. We pretty quickly realized we should have some of the political team, too, because if you can't win the politics, you'll never get the policy. But it may be that they felt their views were not adequately weighed. He was serious about this stuff. Economic policy was something he knew a lot about and he was very serious about it.

Young: Particularly because you had some important things you had to get through Congress and there was getting the budget through. The next part of my question, if I'm not diverting, is how did the legislative policy side, the legislative action side—because there were big, big problems there—how did that get handled at the NEC? Did you spend a lot of time on the Hill? Who did?

Rubin: No. It was handled— There was a bit of conflict around this. On the budget deficit reduction program, if that's what you're talking about, the deficit budget—

Young: Yes.

Rubin: That was handled by—

Prunty: Howard—

Riley: Howard Paster?

Rubin: Yes, Howard.

Young: That's first year.

Rubin: That was the first year.

Rubin: But, yes, Howard, for sure, and Bentsen's people and Leon's people both. Remember, Leon and Bentsen were of the Hill, but the reason I was hesitating was that there was a little bit of conflict there, where I think Howard felt he should be the dominant force and organize everybody else. Bentsen, particularly on the tax stuff, having been Chairman of the Senate Finance Committee, didn't think Howard should be the senior person. Lloyd was not self-effacing. He and Les Samuels did a fair bit of this. Ultimately Les and Howard had a— They had some friction in their relationship.

The NEC itself, in me, had very little to do with the— I went up there with them some, but I was not a leading force on that.

Riley: Usually at their invitation?

Rubin: I don't think I ever went up on my own initiative. Oh, the other one who was involved was Mack [Thomas F. McLarty], Chief of Staff. Sometimes Mack would ask me to go with him. Sometimes Howard would ask me to go someplace, but I was not a leading figure in the legislative struggle.

Young: That would change, though, wouldn't it, when you became Secretary of the Treasury?

Rubin: Yes.

Young: Okay. The NEC didn't have its own Congressional arm?

Rubin: We had no Congressional arm.

Young: Because the NSC did.

Rubin: They did, but we didn't.

Young: Okay.

Riley: And their own press officer, I believe, didn't they? I think the NSC did.

Rubin: They had a press officer; we did not.

Riley: You did not. Okay. I want to pose one question, again going back to this business—

Rubin: Although the NEC did do a lot of dealing with the media. Gene, particularly, is enormously skilled at this; he did a lot of interaction with the press.

Riley: But you did not?

Rubin: I was new to all this, but I did more as the first year went on. I did a fair bit.

Riley: I wanted to go back, again, to this question about how it fits into the existing relationships, because there's at least some sense among people who look at these things that the development of the NEC would in some ways come at the expense of the Council of Economic Advisors. I'd like to get you to comment on that. Tell us particularly about that relationship and the division of labor.

Rubin: That's a good point. As things worked out, Laura [Tyson], as head of CEA, and I had a very effective working relationship across a wide range of issues. But there's no question that people were telling Laura, and also Leon, by the way, that we were creating this new thing and the new thing was going to administer all the CEA and somehow or other it also would diminish the process.

I said to Laura that, at least as I understood it, whoever was head of the CEA very often wasn't part of the policy process and wasn't even at the table. Who was the head of the CEA the last two years of Bush? Does anybody remember? A guy from California or someplace.

Riley: Oh, [Michael] Boskin.

Rubin: Boskin. I was told that the last couple of years there he almost never saw the President. I said to Laura, "With this you'll be at the table for every policy. Same as with Brown. You'll be at the table on every policy issue," but she was quite concerned about that initially. You'd have to ask her, but I think once we got into it a little bit, that concern diminished.

Young: It must have surfaced as early as the notion of the NEC became apparent and the President's commitment to it. There was some passage in some of the briefing materials I read that when it came to a question of what kind of staff, how the NEC should be staffed out, you got word, you and Bo Cutter, I don't know quite who, got word that they were thinking of this as a sort of a think tank within the administration, maybe eight to ten people. Is this a true account? "Think tank" means sidelined?

Prunty: That must have been when Harold called.

Rubin: It was never supposed to be a think tank. It was always about the process.

Young: This was represented as being a contrary idea for the NEC from people who would rather not see it.

Riley: But it does directly relate to [Harold] Ickes [Jr.] and the question of the amount of staff—

Rubin: There were several strings to this. What Laura was concerned about was that we would take on some of the CEA functions. What she said was that if we're going to be a process thing, that's fine, but that we really needed to have— We had quite a few Ph.D. economists and we needed to have them. What I said was that it wouldn't be doing the CEA-type functions, but we were going to be, obviously, deeply involved in economic policy issues and these people were very well equipped to do it. So that's what we did.

You'll have to ask her. I think over time, and I don't think it was that much time, she wound up being very comfortable with this, but no question, at the beginning she was concerned. I remember I said to her that this will make the CEA more robust because she will be a part of everything instead of as a think tank, if you will, off to the side.

Prunty: She must have been afraid that *that* was going to be the think tank, that the CEA was going to be relegated to that, is that what you're saying?

Young: Oh, was that the way it was?

Prunty: Wouldn't you think that that's what—

Rubin: No. She was concerned that we would have a think tank dimension to *us* because we'd have these Ph.D. economists and they would be doing the policy analysis.

Young: I see.

Rubin: Your point is partly right. Others who had been involved historically with the CEA were fanning the flames.

Young: Yes.

Rubin: The other piece was around Ickes's call, because what had happened was nobody had ever done this before. I sat down and worked with a bunch of people, Bo Cutter and Gene, but also people outside of the administration: Jim Johnson, who ran Mondale's campaign; and a lawyer here in New York; and others, to figure out what this thing should look like. We finally figured it out and had about 24 on staff or something like that. We sent this over to Mack. One day, I was already living in the Jefferson Hotel up in Washington, Harold called and said, "The President is committed to cut the White House staff by 25 people, so instead of getting 20—" Do you know Harold at all?

Young: Oh, yes.

Rubin: I like Harold enormously, but he's not a warm, comfy kind of person. Harold said we're going to cut this by—"You're going to have 12," so I said, "We can't do it with 12." He said, "Well, that's what you're going to have." I called him back later and said, "I've thought a lot about this, Harold, and you can do what you want. Maybe the Secretary of Treasury can coordinate this or somebody else can coordinate it, I don't know. I know I can't do this job with 12 people. You're going to have to find some other way to do this. Maybe make the Secretary of Treasury the coordinator." They pondered that for a while and called us back a day or two later and said, "Okay, you can have X," whatever it was, 18 people or something, nicely more than 12 and fewer than 24. I don't remember the number, but it was enough, so we felt we could do it.

Young: How did you build your own staff? What were you looking for, that 18 people?

Rubin: There were two things. One was we wanted people with expertise in different areas: Bob Kyle for the trade thing, for example, which was, as I said, a joint thing. We had a fabulous guy named Tom Kalil, who did technology and who was as good as anybody you're going to run into at combining policy and politics in the technology areas. Michael Deich, who had been on the Hill; I don't what he'd been doing, but he was a Ph.D., I think, economist.

Prunty: Was he at the NEC?

Rubin: Oh, yes. That's how I knew him. He came to do all kinds of stuff. He did a lot of infrastructure stuff. I don't remember exactly, but he had a lot of relevant expertise. We wanted people—

Young: As well as Washington—

Rubin: It was all Washington-based. He'd worked on the Hill someplace, on policy issues related to what we were doing. We also wanted people we thought could handle the interpersonal side of it. We wound up with a remarkably talented group of people, we really did. What happened was a goodly number of people who had been on the Hill all these years who never got to work in the White House all of a sudden saw this thing and thought to themselves, geez, this is a way to be involved in these kinds of issues, but from inside the White House. It attracted a tremendous group of people.

Young: But they had experience inside the Beltway?

Rubin: Oh, yes. Besides me, Gene didn't, Sylvia didn't. Bo had been in the Carter administration. Virtually all the others—not all of them probably, but virtually all of them—had in-the-Beltway—

Beckenstein: Was [John] Goodman on that team?

Rubin: He came later.

Beckenstein: That was later?

Rubin: I don't remember when he came. He came later. Anyway, it was quite a good group. The other place where there was a remarkably good group of people was the Treasury, where Bentsen had taken Roger [Altman] to be the Deputy. Roger had picked Larry Summers and Larry had attracted to him—I didn't realize at the time, until I went over there—just this remarkable group of people. If you look at the people who were in Treasury and still there when I came there, it was an all-star crowd: Larry, David Lipton, Jeff Shafer was the assistant, Tim Geithner, Dan Zelikow, who else? Caroline Atkinson was terrific and others. A remarkable group of people.

Young: Where was Lloyd Bentsen during the formation of the idea of the NEC or the discussions that led to it? As I mentioned, we can't talk to him.

Rubin: No, you won't be able to.

Young: Anything you can tell us about where he was in this process—

Rubin: Lloyd is a truly formidable person. I remember once we were sitting around in a Roosevelt Room meeting and the President was there. Laura finally called Lloyd by his first name and that was an event. [*laughs*] Lloyd was a really formidable guy. In the last few years that he was Chairman of the Senate Finance Committee, I ran part of his blind trust. I remember telling Bob Strauss once about Lloyd. I guess it was after we had started in the administration. Bob said the thing he remembered about Lloyd is that he looks formidable, but he's a little bit shy. I never forgot that. But he was a formidable figure.

There was a curiosity about Lloyd. He was obviously deeply involved in everything we did. He was very shrewd about Congress and knew a lot about the kinds of issues that went through the Senate Finance Committee, tax stuff, trade, that sort of thing. He did not spend a lot of time around markets. That was not his world, but he was very shrewd and sound. Clinton had great respect for his judgment. On the other hand, he didn't use him as much he should have.

I remember once talking to Clinton about something, I don't remember what it is anymore, and he said Lloyd had said something, whatever he said, and made some comment about how Lloyd had this terrific judgment; he was so sound and sensible. I remember saying to the President, "You ought to call him more often. You don't have to have me involved." I had no problem with that all. "Just call him, because he really would advise you. He has very good judgment. He knows a lot." Clinton had great respect for him, yet for some reason he never called him as much as he should have. I don't know why.

Young: Was it an age or seniority problem?

Rubin: It might have been a little bit or—I honestly don't know the reason for that, but Clinton had enormous respect for him.

Young: Was he an active partner or participant in the formation of the NEC? Or somebody who did not object to it?

Rubin: I would say he was someone who did not object to it. I think Clinton told me, or maybe Lloyd told me, that he had told Clinton that if I was going to be head of it, that was fine with him, that would work. He expressed some concern about how all of this would work. He said if I was going to be there, it was fine. But Clinton, in the way he said it, indicated other choices might have led him not to want to be part of it.

Riley: Because he would have been one of the natural— That would have been a place where the portfolio would have intruded on Treasury's portfolio.

Rubin: Yes, depending on how you did the job. But that was a place where there was naturally the potential for a lot of intrusion if you did the job that way. In fact, we never did the job that way, so I don't think he ever felt that from us. I think he did feel—He used to be Chairman of the Senate Finance Committee. When he came into a room, people stood up. They still stood up, but he wasn't— He was the leader, the lord of his own realm, the Treasury, but then he'd come to the White House and Gene Sperling was thirty-five years old and had the same weight at the table that Lloyd did. I'm not sure he ever fully adjusted to that.

Young: Former heads of finance, head of a committee, and people who are elected in their own right. You mentioned earlier that you were not an operator in the Congressional arena—

Rubin: Correct.

Young: On these things—you mentioned Treasury did some of that?

Rubin: Did a lot of it.

Young: Does that mean, then, that the Secretary of the Treasury was actively involved or that only his—

Rubin: No, he was very actively involved.

Young: Okay.

Rubin: In fact, they would very often give Lloyd a list. They'd say you call these X number of Senators or House members or whatever. No, he did a lot.

Young: Did he have a problem with not reaching out to some Republicans on the budget, the first budget? Would he have done it a different way, do you think?

Rubin: Yes, that's a good question. I don't know the answer. The person I know who wanted to do it differently was Mack. McLarty had never been in Washington, but Mack knew a lot of people and was a businessman. Mack told me much later that one of the regrets he had was that he didn't push more forcefully to reach out to Republicans. He had a sense that that's what they should have done, but you're dealing with a White House that was— What I was just going to say was not really true. The President certainly had never been involved in Congressional affairs in this way, but there were a lot of experienced people: Leon and Lloyd and—

Young: Tom Foley was not quite aboard? He would have rather done it a different way, my impression is. Tom Foley?

Rubin: Would have done which a different way?

Young: The budget, rather than define it as a partisan priority.

Rubin: Oh, I don't know. You may well be right. I honestly don't know.

Riley: In your book you deal with the health care reform effort—

Rubin: I'm not sure, really. I don't think Clinton ever thought to himself, *I want to do this in a partisan basis with only the Democrats*. He very much wanted to get support. The problem was, and maybe nothing would have mattered, but the problem was the White House, the administration, never had an aggressive proactive program to reach out to Republicans. No, I don't think Clinton wanted to do it in a partisan manner.

Riley: But there's a sense among the people who looked in from the outside on the health care effort that this was something that you and Bentsen had felt was not a well-designed and well-advised initiative as it emerged. Is that a fair interpretation?

Rubin: Lloyd and I might have been in a slightly different situation. He knew a lot about health care. I knew nothing about health care. I had never had occasion in my prior life to engage in it. At the time, as I heard all of this unfold, I thought, and I still think, that they had insights about the problems in the health care system that seemed to be pretty much right. Time has just made that more so. I thought, although I didn't know much about health care, that in some ways their approach, their fundamental insights, in certain respects, were very sound, for example, a market-based system as opposed to a single-payer system. I don't know if that was right or wrong. I know a lot more today than I knew then, but at the time, it seemed that way. I still kind of feel that way, that somehow we should have market forces at work, that if you had a single-payer system, even in that context, you should figure out a way to have market forces at work.

The process was quite different from the NEC process. Particularly in its earlier stages, and clearly at 14 percent of the economy or 14½ percent or whatever it was, that's immensely important as an economic issue. It never seemed in that stage of the game that this was being subjected to the kind of exposure or analysis from the economic people that I would have thought would have made most sense. As time went on, that changed.

Lloyd felt that way very strongly. Lloyd really felt that he could— Because he knew a lot about health care. He had a woman who worked with him—

Prunty: Marina Weiss.

Rubin: Yes, that's it, Marina Weiss, who was a health care person, worked with him on the Hill, and knew a lot about it. She had a lot of reservations about some of what was being done and about some of the analysis and facts. Meeghan was on the health care team at the White House.

Prunty: Usually that's his first comment. He usually gets that dig in way before an hour and a half into this, an hour and forty-five minutes. [*laughs*]

Rubin: That's a good way to do it, because it came up in context, but Lloyd was quite troubled by the process. And Laura, who, immensely to her credit—I don't know how much she knew, but she was very serious-minded about this thing. She said what she thought and if the President didn't like it or Hillary didn't like it or whatever, she expressed her thoughts. She was very good, very good.

Young: This is to continue the discussion, but it does seem to me that sometime in the future somebody's going to study, some graduate student somewhere, or maybe a bunch of them, are going to look at the NEC process for dealing with the areas within your purview. They are going to contrast it with the process and the way health care reform was approached and may draw some interesting lessons about it for the future. It's very dramatic, the differences. Do you have any insight as to whether there was a debate within the administration on health care? How did it come about, an incremental or staged approach for reform as against a very big major overhaul? How was that decision reached?

Rubin: I honestly don't know. Do you know?

Prunty: If I had to guess, from what I've heard, during the transition it was sort of a threshold agreement that had been come to. Ira [Magaziner] was brought on. That's just—

Riley: That they would fill one whole program?

Prunty: Exactly. It would be sort of managed competition and they'd figure out the details.

Young: And Hillary would be deeply involved in this.

Riley: That was decided during the transition.

Prunty: That's what we heard.

Rubin: Lloyd had the view—I was there when he said this to President Clinton in the Oval Office, he said he thought the political system would have a hard time dealing with both the deficit-reduction program and health care at the same time, but President Clinton was advised otherwise, I gather, by people on the Hill.

Young: Maybe again I'm asking the question of the wrong people, but give me credit for trying. Health care reform had been very high on Senator Kennedy's agenda for a long, long time—

Riley: Ted Kennedy.

Young: Ted Kennedy, right. Was he a factor? He also wanted major reform and had a big argument with Jimmy Carter on incremental versus big health care reform.

Rubin: What did he want? Comprehensive?

Young: Yes. He wanted comprehensive. He tried for comprehensive and didn't get it, of course. Was he at all, that you know of—

Rubin: It's interesting you say that because I had enough exposure to hear the names they were talking about. I didn't hear Kennedy's name very much.

Prunty: I was going to say, it doesn't—

Rubin: There was the guy from Minnesota who—

Prunty: Paul Wellstone?

Rubin: No, no, not Wellstone. Prior to Wellstone. Who was the Senator—

Prunty: Wasn't it [Robert P.] Casey, [Sr.] too? No, not Casey, but the fellow from Pennsylvania.

Rubin: Jim Cooper was the Congressman, Harris Wofford from Pennsylvania, but there was a fellow from out west; I think it was Minnesota. There was what's his name—John Chaffee had a plan, as you remember. I don't actually remember Kennedy. You're right about Kennedy, now that you've said it, but I don't remember his name.

Young: That's interesting.

Rubin: I don't think they worked much on it.

Riley: There was some discussion at some point in the middle of '93 about the possibility of folding health care reform into the budget-reconciliation process as a way of short-circuiting—

Rubin: There was. Lloyd was very much opposed to that because he thought that was likely to be more weight than the system could take. I guess history would suggest he might have been right.

Riley: Did you weigh in on that issue?

Rubin: I don't think so. A few years later I could have, but you're talking about the first year. I had been in Washington a month or two or three, and I wouldn't have felt comfortable doing that.

Riley: Okay.

Rubin: The only thing I would have done is to make sure that if people had that view, the President heard it. Actually, I was there when the President had that conversation where—

Prunty: You must have been there. That was a pretty big decision point.

Rubin: I was there when Lloyd spoke to the President about it in the Oval Office. I don't know how that decision was made. I know Lloyd advised very strongly against it.

Prunty: But the health care team very much wanted—

Rubin: Yes, they wanted it as part of the reconciliation process.

Riley: Did you have any independent sense about the advisability of putting Mrs. Clinton in charge of this reform?

Rubin: Yes, I did. He had asked me during the transition what I thought about it. I said I thought it was a terrific idea. I didn't know Hillary very well at the time, but she struck me as being smart. The little bit I'd seen of her I liked her. She was very sensible, but I didn't know her that well. I thought it was a terrific idea. In retrospect, it obviously wasn't, but I didn't know enough to know. Two years later I would have given, I think, very different advice.

Riley: Had you known Ira Magaziner before?

Rubin: I had met Ira once. That was during the 1984—or '83, actually—in the early stages of Mondale—

Prunty: And he was part of the '92 team, right?

Rubin: Oh, sure. I apologize, I thought you meant before Clinton. Oh, yes, he was part of the '92 process.

Prunty: There was a meeting of the economic people in '92.

Rubin: Oh, no. We had some interaction then. I apologize. I thought you meant prior to Clinton.

Riley: No, no, I was just wondering about your sense about his suitability for the interim NEC process.

Rubin: I know this is not the prevailing view, but it's my view. All this criticism was heaped on Ira. You might not agree with this, but I don't think it was deserved. He's very smart. He does have a tendency to build big systems. Remember, that's what he did with the Greenhouse thing, which didn't work out. That was industry policy advocacy, but I thought he was smart. Nobody argued he wasn't smart, but whenever I interacted with him, I felt he listened. Maybe what he did was to listen in the sense that he let me speak, yet didn't pay attention to it. I don't know. But a lot of people found him very difficult to work with and felt he was running his own process. It was immensely complicated with gates— What are those things called?

Prunty: Tollgates.

Rubin: Tollgates. My experience with him was one that caused me to both like and respect him, but he certainly— An awful lot of other people found him to be trouble. Lloyd particularly.

Prunty: And Marina—

Rubin: And Marina— Well, that was part of Lloyd, but that's right, Marina.

Riley: Did you have much of a piece of the NAFTA initiative?

Rubin: Yes.

Riley: Can you tell us about that?

Rubin: During the campaign, this question came up, what should Clinton do about NAFTA? I felt very strongly that he should support NAFTA. I wasn't as cognizant of the political dimension of this. That would have been later. There was a woman in the campaign—I don't think she ever got in the administration, oddly enough—who was sort of the lead person on trade for him during the campaign. Paula Stern. Sandy Berger was one lead person— She was a Washington trade person. I don't know if she ever got in the administration. In any event, I remember calling her and saying that this is really—

Then ultimately he came out in favor of NAFTA. She told me, "I think it's going to work, but there are a lot of people who don't want him to do it." Then when we got to the White House, we did the deficit-reduction thing—you probably know all this from Sandy—there came the question, I guess it was around Labor Day in September, what do we do now? Do we go with NAFTA or do we go with health care? We thought that if we didn't do NAFTA now he wouldn't be able to get it, because once you got into the next year it was the election year and so forth.

We had this meeting in the residence; it must have been over the Labor Day weekend. I remember we set up this meeting. Mack and I talked about who should preside over it. I said, "It's the NEC meeting. I don't care about me, but that's the institution that should do it." He said, "I'm Chief of Staff, don't you think it would look odd for me not to?" I said, "I don't think so, Mack. This is all under your aegis, but if we're going to have the NEC and have people see it as the place to do economic business, we need to do this." And he was fine. We had that meeting. Before the meeting, I spoke to both Bentsen and Chris, Warren Christopher, and said, "It's going to be a debate about which of these things should come first. You ought to express yourself strongly if you feel NAFTA is important," which fortunately they both did, because others felt differently. They did and he made the decision to go with NAFTA.

I never knew whether that meeting in the residence was where he listened to everything and then made his decision or whether he knew coming into it where he was going to go. Hillary at the time thought we should go with health care and was afraid that if—she was right—if we put

health care by the side they were going to lose a lot of their momentum and opportunity. She was probably right about that.

Riley: You identified something—you just said you weren't sure whether this was a real meeting where he was making up his mind. I've heard that same characterization about the meeting in '96, about welfare reform.

Rubin: I never knew. Absolutely. We all went there and it was a remarkable process. We sat around that table, the Cabinet table, and people expressed their views openly and vigorously. All of us recognized that both substantively and politically it was a very difficult decision. It's a matter of public record, it got out, that I was against the welfare reform program. I felt too many people could fall between the cracks—I still feel that, by the way—but everybody was sensitive to how difficult this was. Nobody sat there and said you have to do this. I think it was George who said something to the effect that he was against it, but I'm not sure who it was. He said he recognized how hard this decision was. He thought this, but could recognize We all did that, then he went away and made his decision.

I share the same sense. I don't know whether he had the meeting because he felt that was how to get a bit of buy-in, or whether he made up his mind beforehand. My guess is he probably pretty much knew what he wanted to do, but if he'd heard something at the meeting that was different from what he had thought of—that he was running it by a meeting to see— Two things, one, running it by a meeting to see if something else emerged that he hadn't thought about, and secondly, to have a process that people would buy into.

Young: This is a very important kind of contribution, something that has to be looked into for an understanding. Was that Clinton's own decision style? We've talked a lot about process and about bringing the parties together and listening and he has his input, but one suspects that's not always the way he made decisions, that he had a good political gut. Welfare reform was very useful to him, regardless. There were a few other things that he was committed to that the process mattered only to see, perhaps, whether there were any overpowering objections to it. Is that—?

Rubin: That's a fair comment. Remember, this was a person who came to Washington deeply steeped in a lot of these issues. Welfare reform was something he knew a lot about, as was health care, by the way, before he got there. It would be almost odd if he didn't have a view, so yes, that's right.

On the other hand, if somebody had said something that he hadn't heard before and that was different He wasn't like a President who came in and had made his decision so they were just going through the motions for a purpose. This was a President who related to whatever was being said. If he had heard something different, I think he would have weighed and balanced again, but you were dealing with a very strong rebuttal presumption that they were going forward. He might think about it, I suppose.

Riley: There's some interpretation from the outside that in fact he often was exactly the reverse, that there were concerns that whoever last had his ear was the person who was in a privileged

position in terms of making a decision. I want to bounce that off you. Did you find that to be true?

Young: Endless decision making, no resolution. This was an image.

Rubin: I know it's an image. I really don't agree with that. Part of that came—I think it was in my book. I remember that. Part of this came from the way in which he listened to things. He listened very sympathetically. He would ask you questions and try to draw you out. I think a lot of people left him saying, "Gee, this guy agrees with me." It was just the way he interacted with people. I wrote a *New York Times* op-ed in '94 or so, saying I thought he was as good as any decision maker I'd ever worked with. I believe that. I know people said that. I just don't think it's right.

Riley: As good a decision maker as you've ever known. Can you elaborate on that a little bit?

Rubin: Yes.

Riley: Was it because of his ability to absorb information?

Rubin: No, well—

Riley: Decisiveness or—

Rubin: Yes and no. You were talking before about ideology as opposed to facts and analysis. He started out as somebody who would base judgments on fact and analysis. Then he wanted to see all possible considerations. I said this in my book. During the transition, I don't remember when, he said something to the effect that once I'm President, if you people don't tell me what's really on your mind, I'm dead. That was his style often. Not a style, that's the wrong word. That was his mode of operating all through the eight years. He wanted to hear what people thought, then he would weigh and balance. He would keep probing and try to—

Particularly, he would try to find out what kinds of considerations might be advanced in opposition to where he thought we ought to be. Once he got it all, he made his decisions. I've known people who will do that quite well, but never reach a decision. He didn't have that problem. He made his decisions, but he tried to get himself as fully informed as possible. He had a high level of willingness to fight for stuff once he decided, even though it might not be that popular: the '93 deficit-reduction program, the Mexican support program, NAFTA, and so forth.

Young: How did the image, outside image, of Clinton as somebody who always listened to the polls and blew with the wind come about? It doesn't seem like it is close to reality.

Rubin: It is not reality.

Young: How did things like that—?

Rubin: The polls, clearly—He would not have done the '93 deficit-reduction program. He sure as heck wouldn't have done NAFTA, with the labor unions opposed to it. He wouldn't have done the Mexican support program. He probably wouldn't have done gun control, I don't imagine. I don't know for sure. How did it happen? In the first place, I don't know the answer to your question, but he certainly was a person who was acutely aware of the political dimensions of things, so that may have been part of it. Part of it may have been that there were a lot of people who— His opposition was pretty effective at trying to paint a negative picture of him.

Young: Almost seizing on anything.

Rubin: Yes. He was, as I said a moment ago, very aware of the political dimensions of things. Maybe that gave them something, a hook to hang it on. A good question.

Young: I remember seeing pick-up trucks around Charlottesville with bumper stickers right after his election saying "Impeach Clinton."

Rubin: Well— [*laughs*]

Young: Of course, when that's what you have out there, some part of it, you have to be very alert. But I'm raising a larger question: here was a President who brought a lot of hate out there—people finding anything wrong, faulting him in many ways. It's very hard, historically, to sort out if there are germs of truth here or how those stories get about.

Rubin: You say germs of truth, but—I want to go back to what you said earlier. It was very important, but he did from time to time, in discussing an issue in the public domain, weigh and balance. He would give people a sense of a man who was weighing and balancing. Maybe that lent itself to this feeling that he—

Young: And then reserved decision for later.

Rubin: He hadn't made a decision, or maybe he'd made it. He would say these are the considerations here, these are the considerations. Whether that kind of weighing and balancing in the public was a useful thing to do or not, it may have lent itself to this a little bit.

One of the mysteries of the Clinton administration—a lot of people have written about it; I don't have any view on it—is from day one there was a piece of America who hated him. Why from day one, there were people—I would be one of them—who thought Reagan was terribly wrong on a whole range of issues, but didn't hate Reagan. Why it was that he brought forth that powerful visceral and emotional reaction? A lot of people have written about it, but I don't think there's any question it was there.

Riley: Did you see it in your communities in New York? We get the impression that you were a liaison between the administration and the New York business community. Is that true? Did you see—?

Rubin: I don't think I saw it here particularly. I think you saw it, pieces of it or glimmers of it, sometimes. I remember once when I went to a business group, talking about health care. It was a large group talking about it and it was clear people didn't like it. In fact, most of them didn't like it, but there were people who more than just didn't like it. You could see that there was just this visceral anger at him and her, I guess. I didn't see it here particularly. I saw people who didn't like what he did, or didn't agree with him or one thing and another, but it wasn't that. I didn't get that here.

Beckenstein: With the walls having fallen in eastern and central Europe prior to his coming into office and then the Cold War winding down, obviously there became opportunities to reduce the importance of defense spending. As that happened, how did the different constituencies respond? There must have been difficult tensions between the military or maybe even DoD [Department of Defense]. How did that work out? Were there more tensions between the NSC objectives and the NEC? That's an open question.

Rubin: There were times when there were budget issues around DoD or even around some of the State Department initiatives. Tony Lake would come to the NEC budget meetings, which he rarely did, but he would come because these were issues that he cared very strongly about. He had very strong views about them. But if there was a lot of tension around it, I didn't see it. The Cold War had ended and there clearly was going to be a fair bit to be saved on the defense side. I shouldn't say I didn't see it. I guess I did at times, but it wasn't a raging issue in the administration.

I had the view, which I expressed, that anything as large as the Defense Department, if you could find some way to give it a real managerial review, there just had to be ways of doing the same things more efficiently, not that I knew anything about it, because any large organization, if it doesn't get reviewed regularly for that, you're going to almost surely going to have that aspect about it. They resented—John Deutch, at the time the Deputy Secretary, came to the budget meeting. He said I was wrong and they couldn't give up anything. I said, "John, you could cut back anything. You could take a 5 percent cut and lose none of your functionality." He said, "No, that's not right. We can't give up a nickel." I still see John a lot; he's on our board here. There was some of that, but it wasn't a raging issue in our administration.

Beckenstein: Was it because all the parties in the administration agreed with the need to downsize Defense?

Rubin: Did you talk to Leon Panetta yet?

Riley: Yes.

Rubin: That's the kind of person you can get a much better sense from. What I remember from these budget meetings where there were big issues about how much deficit reduction should we have or what pace should it go is we'd go over these different programs—particularly in that first meeting, where Clinton got very involved, which a lot of people criticized him for. I happen to think it was the right thing to do—we would go through program by program, but I don't remember big debates about the Defense budget.

Beckenstein: I guess there wasn't any change over time—

Rubin: The budget, Defense budget, went down,

Beckenstein: Yes, but in terms of the process—you would hit different stumbling blocks—it was pretty smooth?

Rubin: Yes. In some sense they never did the review and analysis of the Defense Department that could have been done, but subject to that caveat, it was a pretty smooth process as far as I can tell. It's funny you should mention it. There were the debates about some of the State Department initiatives and how much you should spend on them. I don't recollect much of that from the military or the Defense Department. I don't remember any of it except the thing I mentioned with John.

Riley: You mentioned in the book that Bentsen called you in to talk with you when he decided to resign, to let you know he was—

Rubin: I recollect he came over to the White House to tell me.

Riley: He suggested at the time that he was going to recommend you as his replacement.

Rubin: Yes. He said, "Don't tell anybody. I haven't spoken to the President yet. I'm going to leave. I want to tell you now so you don't decide to leave before I do, because you're my way out." [*laughs*] No, really, and he said, "I'm going to recommend to the President for you to take my role."

Riley: Had you been thinking about leaving?

Rubin: It's funny you ask that. I had vaguely thought I've been here two years. It was getting toward the end of '94. I'd been here two years. It's a very hard life in the White House. It really is, for a lot of reasons—people don't realize unless they've been there—some are obvious. It's a lot of work, one thing and another. I tried to get this in the book. I'm not sure I succeeded. It was the undefined quality of life and the undefined structure.

If you have a particular job and you do that job, your involvement, your influence, your weight will depend on how you do it and how others react or how the CEO [chief executive officer] reacts to it. At the White House, it's all amorphous. It's all in some sense unformed. It's a very stressful way to live every day. At least it was for me.

Riley: More so than dealing with markets and fortunes being won and lost?

Rubin: It's a different kind. Yes, to me, it was. And I saw the stress in other people. You saw Sandy Berger was quoted once saying that a lot of his job was deciding who gets to go to meetings. You can laugh at it on the one hand, but on the other hand, it symbolizes or represents something, which was that nobody had a defined place in the White House universe. Every day

you were kind of living anew. There was always this question of what role did you have and so forth. At least that was how I felt about it, but a lot of people did.

Riley: And you have a suicide in the first year from someone who—

Rubin: Well, Vince [Foster], that was—He was a terrific guy. I went to him. Bernie [Nussbaum], who I knew from New York extremely well, was the counsel to the President, but after a while, I got to know Vince. I started to go to him for stuff. He was very sound. He wasn't as—Bernie was colorful and Bernie is a very bright guy, but this guy was sound and maybe he didn't feel comfortable.

Riley: But it was an illustration, another illustration, of the pressure?

Rubin: I don't know about that. If somebody commits suicide, obviously there are psychological things at work, or there must have been. It would be interesting to ask Howard Paster why he left after one year. I don't know the answer, but there's somebody who was very deeply steeped in Washington. This must have been the dream job that he would have wanted his whole life, as a lobbyist. Why he'd leave it after one year. I think he felt the same thing—what was his role, what was Vincent's role, what was Les Samuel's role, Michael Levy's role, the Treasury? This was very hard for people. I'm sure there are some people who didn't get affected by it, but a lot of people did. Would I have left at the end of two years? I doubt it, but it was a very straining job.

Riley: Were you surprised at this stage that you were being contemplated to replace Bentsen?

Rubin: No, because once Lloyd said he was going to leave, it seemed to me the President could do one of two things. He could go with somebody internally—and if he was going with somebody internally I was the logical person—or he could do something that might have been a sensible thing to do, but he didn't do it, which was to look for some major business figure. As you may know, it took the President longer than—this went on for quite a while without his making a decision. I don't know whether he hadn't made it or he—

He also might have wanted to keep me in the White House, because he did say to me at one point, "You're leaving. I have to stay here." [laughs] I think his point was the White House was a little bit disorderly from time to time in some of the areas and the economic thing worked pretty well. In fact, Leon said to me, "Great, you can stay here in the White House, that's great, but if you want to be Secretary of the Treasury, it would be hard for him to say no." I said to Leon, "Look, he should do whatever he thinks makes sense," but he did take a long time to make that decision.

Young: Can we talk a little bit about moving to the Treasury and what changed and what didn't change?

Rubin: It's an immense difference, and I didn't realize it, from the White House.

Young: From where you were and where you sat. My first question is what changed about NEC, if anything?

Rubin: Oh, with the NEC?

Young: Before we get into the new world of the Treasury.

Rubin: When Laura became head of the NEC— We've talked already, so you have your impression. You have already talked to her?

Riley: No, we haven't. She's been in London.

Rubin: Oh, I thought you had. Sorry. She had some difficulty getting her feet on the ground. My view, when I went to Treasury, was that the NEC was a terrifically important thing and we should support it, which we did. But the other change that took place was that Leon was now Chief of Staff, not Mack. A journalist once said to me during that first two years, and I didn't realize how insightful this was, that you couldn't exist except as the Chief of Staff lets you exist. He was absolutely right, because once Leon became Chief of Staff—

As long as I was at the NEC, it was fine. We did our thing and we performed our function. Leon related to it and did what he did in a way that respected the role of the NEC, but Leon was a much more take-charge person than Mack. Once I left and went to Treasury and Laura became head of the NEC, a lot of the function moved into Leon's office. A lot of the budget meetings that when I was there would have taken place in the NEC included the same people, but Leon presided. I think Laura found it difficult.

Young: From your point of view, did some of the value of the NEC process get lost when most of the action moved to Leon?

Rubin: Let me put it differently. One thing that's clear is that another way you could have done all this is you could have had it coordinated in some fashion or other through the Chief of Staff's office. As you may remember, just as the head of the NSC reports to the President, the NEC reports to the President, although de facto, you do some fair measure of work with the Chief of Staff. Once I went to Treasury and Leon had already become Chief of Staff and moved a lot of this stuff into his office, the NEC per se played less of a role, but it was still very important in 1995 or '96. There was a time when there was a budget process going on that Leon was running, but we also had NEC meetings where we expressed our concerns about a lot of that, then we could funnel those concerns back into the Leon meeting. I would say it was still very important to have the NEC, but its function was now split between the NEC and the Chief of Staff. That's the way I'd put it. In other words, the function was about the same, but now it was split between these two bodies.

Young: Now it wasn't focused in one place?

Rubin: It was focused in two places.

Young: Two places, from the President's perspective, if you can imagine it. Did it work as well for him?

Rubin: Yes, I would think so, because of the budget stuff. He had Leon's process, where Laura was conducting meetings as well. She was part of the Leon process, obviously, so she was in both meetings. The stuff would funnel back into Leon's process. I would think in some ways it may have functioned even better because—while I thought Mack was in some ways a very effective Chief of Staff in ways that were not appreciated, people worked together and he promoted this cohesion—Leon ran a more orderly White House. Now, on the economic stuff, we were pretty well organized anyway. I don't think that made it any more orderly, but he would have found it the same.

Young: But there weren't changes, fundamental changes, in the way these issues were approached?

Rubin: I don't think so. The idea of having processes where everybody sat at a table and everybody got their say and all the rest, that continued. It just got divided up some between the NEC and— Then you saw later, once Laura moved, Gene became the head of it while Erskine [Bowles] and then [John] Podesta were Chief of Staff, a lot went on in their office. Gene conducted an enormously robust process around Social Security and matters of that sort.

Riley: Okay.

Beckenstein: Did the '94 elections come around at the time when people moved and Leon Panetta took over as Chief of Staff? Did that affect the relative importance of political matters in these meetings? Did that fit nicely and kick it to the Chief of Staff because the politics were different?

Rubin: No. Leon was a very substantive person. Leon had tremendously strong substantive views and a tremendously strong substantive orientation. I wouldn't say that.

Prunty: Wasn't that period, Bob, of no NEC head, wasn't that partly what was happening? Isn't that one of the reasons—?

Rubin: That's a good point. There was a brief period after I left— Gene was acting and Clinton hadn't decided yet and there was a feeling that maybe he'd make Erskine the head of the NEC. Erskine was Deputy Chief of Staff—

Prunty: Right.

Rubin: Ultimately, he made Laura, but there was—Meeghan is right. There was a period where there really was nobody running it.

Prunty: Maybe that's when some of the stuff moved over and it was right after the—

Rubin: I guess, Meeghan, but Leon just was a very strong personality. If you have a very strong Chief of Staff—probably in an ideal world, the Chief of Staff and the head of the NEC would figure out— The process would be the same, vetting everything at the table. The apportionment, if you will, to the NEC office and to the Chief of Staff’s office, you’d have to work out in some way.

Riley: You mentioned in your book that at one point your name was being floated as possibly being the Chief of Staff?

Rubin: That was—

Riley: I’m trying to remember where the interval was.

Rubin: I’ll tell you where it was. When Clinton won reelection in ’96 and Leon was going to leave. The question was who would be Chief of Staff. Erskine didn’t really want to be Chief of Staff. He was in North Carolina at the time and wanted to stay there. People—I don’t remember who any of them were—asked would I like to be Chief of Staff.

Prunty: Erskine—

Rubin: Yes, Erskine particularly, [*laughs*] for obvious reasons. The problem they had was that it was a little hard to know who else they could have put in that. I clearly didn’t want to do it, for a lot of different reasons. It’s a good thing I didn’t do it, because when you got to 1997 and the Asian financial crisis, it was very important to have somebody in Treasury who could relate to all those kinds of issues. The Asian crisis was like the Mexican crisis writ large, but that’s right. They floated my name. I was asked about it and—

Riley: You said for a lot of reasons—

Rubin: Yes, it just wasn’t my kind of job. It was a twenty-four-hour-a-day job, and as Erskine said to me at one point, “You may be chief, but you are staff to the President.” I had a great working relationship with President Clinton. It really was a terrific one, but I was not somebody he’d call at 1:00 at night to gossip or to talk about stuff. I didn’t think I would have been very effective in a relationship where at 10:30 at night he’d call and say, “Come over. I want to spend the next two hours doing something.” Also, the Chief of Staff’s job is inevitably a more political job.

Riley: Sure.

Rubin: So, for all those reasons

Young: You continued to attend senior meetings in the White House?

Rubin: That was a big deal.

Young: Why?

Rubin: Because when I went over to Treasury, I went to see Leon. Really, there were two sets of meetings in the Chief of Staff's office. One was the White House staff meeting, in the Roosevelt Room, then another, much smaller meeting, a daily meeting, in the Chief of Staff's office right after or right before, depending on who was the Chief of Staff. What I knew from having been part of that was that that really was where the government was run. I went to Leon and said, "Do you mind if I keep coming? I've been doing it and Treasury's involved in a broad array of issues just like OMB is." Not the full range, but a broad array of issues. He said, "Fine." I stayed in that meeting all through the time I was there, and Larry did after me.

Young: That was very important to you?

Rubin: Very important. It's different. If you're head of HHS [Health and Human Services], there's a limited range of issues. That's fine. But Treasury involved a broad range of issues, and frankly, I liked doing that. I knew the people and I liked being part of everything. If they were discussing something that had nothing to do with me, whatever it was, I could pipe up and say something if I wanted to.

Riley: Did that create any friction with the people who were taking over the NEC? Did it appear to them that this might be a case of somebody going outside the box?

Rubin: I don't think I was outside the box, because I respected the process, but now it was divided over to be at the NEC. If anybody resented it, they never said anything. By that time, I'd been doing it for—

Prunty: The Cabinet members, I would think, would have more of an issue with it than NEC people.

Rubin: That would have been the thing I was worried about, Meeghan, that somebody else would say, "If he's going to all these things, why shouldn't I go?" Bob Reich was very close, or had been very close, to the President, personally, and Bob certainly had views across a broad range of issues. I could have seen Bob saying, "Well, if he's doing it, why shouldn't I do it?" but as far as I know, nobody ever did.

Young: You referred to the different world of the Treasury Department. I'd like to hear something about that. As a Cabinet member, responsible for a very large and far-flung department, did that change in any way your relationship with President Clinton?

Rubin: I'll tell you what I think happened. I wasn't so tuned to this at the moment, but I came to see it later. For whatever set of reasons, the President and I had a very good working relationship. We never had much of a personal relationship, but a very good working relationship. It may have been because I did things the way he wanted them done. Secondly, I had been at Goldman Sachs and had been a senior partner. That was something he maybe had respect for.

But when I went to Treasury, what I had not realized was that when you're at Treasury it is a step function difference. It's not just the line, the slope, difference. For one thing, you are the designated public spokesperson for the administration's economic policy. Obviously, the President's always that, but— That was in our original draft, the Executive Order setting up the NEC. It said that the Secretary of the Treasury is the official spokesperson, in effect. It's not the right word. All of a sudden, I was dealing with the media far more than I used to. They looked at me in a different way because in the White House, if I said something, it was *on behalf of* the administration, but now I was in a more official position as it relates to speaking *for* the administration. That created a whole new set of experiences for me, even though the two years I'd had in the White House prepared me for it. At least I'd had experience that was relevant to it.

The other thing is that a lot of issues you previously saw from a coordinator point of view are now your responsibility, for example what kind of recommendation to make on tax policy. Well, tax is at Treasury. All the international issues are at Treasury. Even things like the minimum wage, although obviously the Labor Department is very important, as Secretary you're expected to be the leading force in that process. It was a very different experience. I don't think my relationship with him *changed*, but over time he saw us make a lot of different decisions that for the most part worked out pretty well. In '95, you may remember, there was a debt-ceiling problem.

Young: Yes.

Rubin: They tried to force him to sign a budget he didn't like by saying if you don't sign it, we'll raise the debt ceiling and you'll go into default. Newt Gingrich went on, I believe, *Meet the Press* and said, "If we have to have a brief default to get a budget that we think is good for the country, we're willing to accept default." I said default's unthinkable and it was heading toward a collision. Then we found a way to get around it by borrowing from the trust funds and we did that for many months.

They were furious because they felt we were doing something nobody had ever done before. People had done it in little ways, but nobody had ever done it the way we were doing it. They had hearings and they accused us of acting unlawfully, although we had a legal opinion from the Justice Department. I remember there was a hearing once where a Republican Congressman from Florida called me a thief. Then the Chairman of the House Rules Committee said he was going to move to have me impeached, so they took this very seriously. What I hadn't realized at the time—later I heard something that gave me a little pause, that the President and Hillary, who were always being attacked, saw this as my standing there, standing up for them. She said something to me, the effect of it was, we all watched you, but you seem to get it through okay. She said something like that. I guess they did see that and it worked. Then we did the Mexican support program in '95.

Young: Absolutely.

Rubin: That was a very risky thing politically. We had told them that we thought it would work, but it might not. It worked, so after a while he began to think we had a pretty good track record in terms of decision making, not necessarily in every case, obviously, but on the whole.

Young: As Secretary as well as at the NEC?

Rubin: The difference was that there at the White House, sure, I cared a lot about the deficit stuff and the trade stuff, but I was a voice. There were other voices. On these Treasury issues, there were also voices, but these decisions were more clearly ours. Obviously, he had to approve all of them. On the deficit stuff, he probably always did feel Lloyd, Leon, myself, Alice—maybe I'm missing somebody—identified with that particular decision.

Young: Why did the Republicans—this was an extraordinary thing, historically, to threaten something that would result in default. What on earth got into them to do this? What was their agenda?

Rubin: Their agenda was to get him to sign that budget.

Young: Well, yes.

Rubin: They must have thought one of two things would happen. Either he would blink at the last moment, because default was so unthinkable, or—and I think unfortunately some people on Wall Street told them what I'm about to say—that everybody knew the United States' money was good. There was no question about that, so if he had to default for a week or two weeks or a month that didn't really matter. That was monstrously wrong, because the notion of the United States of America defaulting as a matter of political choice would have very seriously undermined us as we talked to the rest of the emerging markets about the importance of—

Young: It was unthinkable.

Rubin: It was unthinkable, but it was the—I don't think that's how they thought about it.

Young: That's why they got so they wanted to impeach you.

Rubin: We figured out a way to design around it. I don't think they weighed—remember, looking at it from their point of view, the national repercussions, all that stuff. I don't think that was in their mind. Their mind set was we have this guy now. He's not going to default. Therefore, he's going to have to sign our budget. If he does have to default, we'll let it go on for a week or two, the pressure will become unbearable, and he'll sign our budget. All of a sudden, we came out and for months kept this thing going.

Young: They were thinking of it as an inside game, whereas it wasn't.

Rubin: The implications were enormous. At the end, as you may remember, Bill Archer in Ways and Means did something to solve the problem. They did in some way save face a little bit. They never came back and tried that again. By the time we got to the end, they realized the politics of that were horrible.

Young: Then it turned into shutdown.

Rubin: Then it turned into shutdown, right.

Riley: An instance that you described in your book during the shutdown that might bear on this that I wanted to ask you about was the situation where you evidently had a conversation with the President after he had met with some members of Congress. You told him, “Mr. President, if I had been sitting in this meeting, from their perspective, I would have left this meeting thinking you were going to cave in.” Can you elaborate on that? What was it about his demeanor there that led you to believe this? Was this a persistent problem? We get bits and pieces of this from other people, a lot of this particular episode.

Rubin: Right. I don’t know if “problem” is exactly the right word, but yes, I know exactly what you mean. We were in there and he was relating to what they were saying and asking them questions and engaging with them in a way. We went back to the Oval Office and he said, “I think that really went well.” I said, “Mr. President, if I were doing what I used to do at Goldman Sachs, I would tell you that these people think you folded.” He said, “What do you mean?” He was sort of taken aback. Later in the day he said to Harold Ickes, “Bob Rubin said they think that—” and he told him what I said, so he obviously was struck by this. Yet there was no question of where he was. There was no wavering and there was no—He knew where he was and nothing changed that. I do think there was a bit of—

Because he listens so sympathetically, in the sense of wanting to understand your point of view and engaging with you, yes, sometimes he’d lead people to think he agreed with them when he didn’t. Sometimes people felt they’d been misled or that he had backed—He had reneged on something or—

Riley: We have occasionally heard that there was some concern, specifically in these negotiations, but also in broader ones, that the staff was a bit concerned about the President being put into a direct negotiating position with Gingrich because of his own interest in getting a deal here.

Rubin: That’s a little different. That was later, I think. I honestly don’t know. Later in ’97, when we did the balanced-budget agreement, there was a feeling— He wanted an agreement very badly. Some of us felt, I felt, that the best path to getting the deal done as best it could be would be for us to be tough-minded and ultimately get there, and if he didn’t at the end, he could always give in. It is true that there were times when we felt that if he spoke to Trent Lott, particularly, at that point, Trent Lott himself, that he might tend to—give them more in the negotiation than we would be inclined to do. That was absolutely right. If it happened in the ’95, I don’t remember. That was a fair comment.

His desire to get the balanced-budget agreement was very powerful. I can think of one conversation in particular there with Trent Lott. I don’t remember the specifics, but we said, “Mr. President, why don’t you try this? We think it will work, but if it doesn’t work, you can always fall back to this.” He called Trent Lott and said, “You wouldn’t want to do this, would you?” Of course, Trent Lott said no. [*laughs*]

Riley: You mentioned Trent Lott. At least during an earlier period, there was somebody identified as “Charlie,” who had a presence in the White House. Did you ever get a call from Dick Morris on—?

Rubin: It’s interesting. I had very little to do with Dick Morris. For some reason, he didn’t— There were a few times that he wanted to do things and he would say, “The White House—” The answer is I had very little to do with Morris, so I don’t have much light to shed on that. I remember once he apparently recommended to the President or to somebody that an inner city program should consist of capital gains breaks for people who invested in inner cities. We said to the President, “That’s nonsensical. It isn’t going to work—it’s substantively nonsensical.”

Somebody, maybe it was Gene or Erskine, said, “Look, Dick Morris has convinced him he should have an inner city program. You—” meaning us— “think that’s a very important priority for the administration. If you’re going to get him to abandon the one Dick told him to do, you have to give him something else to do.” We thought it was our purview. But he didn’t affect us too much. I don’t know why, but he was never engaged much with us.

Riley: We’ve heard, of course, that he often worked the telephones into the departments.

Rubin: Yes, he did. But not with us. He might have felt we weren’t going to be very receptive. It’s possible we conveyed a certain nonenthusiasm for that.

Riley: Sure.

Young: What did you feel was most important about the many things the Treasury Secretary is called upon to do? You had the Asian crisis; you had the peso crisis. Didn’t you have something on Waco? That’s a problem.

Rubin: It was a problem, a big problem, but there wasn’t— Treasury still has a fair amount of law enforcement stuff, even though some went into the— It was important stuff. It wasn’t so central to the mission of the Treasury. Maybe I shouldn’t say that. It was very important, but it wasn’t what I was occupied with.

In terms of Waco, yes, we did have a problem. We thought they were going to revisit Waco, much to our discredit. Then it turned out this guy, David whatever his name was—

Prunty: Koresh.

Rubin: Koresh, had this affair with a fourteen-year-old girl or something. That reflected unfavorably on him, so that became the focus.

Young: These things did not get in the way of your major issues?

Rubin: No. You have a good point. The only one that came close was Waco, because President Clinton was very concerned that they would take Waco and use it against us effectively, but then

it turned out that Koresh had this affair with this fourteen-year-old girl. That became the prism through which people saw this stuff and it just never got traction.

Riley: Change in the weather on Capitol Hill, the political weather, coincided with much of your new position at Treasury. Do you want to comment on how you and the White House coped with this new ball game? The outline of the Contract with America, the attempt to beat you into a budget submission that you didn't want, then Clinton seems to turn it around. It seems to turn around. I suspect he didn't do that alone.

Rubin: I'm not as well-equipped as a bunch of people would be to tell you how that happened, but I remember, right after the election, he was going to make a statement about some issue, then take questions from the press. It was going to be in the Oval Office, so we got into one of those little back offices in the Oval Office to brief him. I know I was there and George was there. I'm sure Gene was, but I don't remember. It was clear President Clinton just didn't have—

I said to George afterward, "He doesn't have his grounding. He's lost some of his grounding." It was clear in the briefing. I remember thinking this, and then something happened. I don't know how long it took, but he just turned. He somehow got it— Others will tell you, he got his way through this. He obviously felt he now had his critical grounding. He had a way, a stance, a place from which he could approach all this. He had the same old style and personality and everything else back, but there was an interim period there before he got his feet back on the ground. I don't remember when the Oklahoma bombing was, but that—

Riley: April of '95.

Rubin: Yes. That really gave him a chance to show to the American people that he was a leader who cared about a whole host of matters. A terrible tragedy, but for him, politically, as was written at the time, a very important moment.

Young: Right. So part of the hard line, the Republican hard line, on the budget was—Clinton was off balance also at that moment, wasn't he? Politically off balance.

Rubin: He was off balance, but by the time we got into serious discussions with the Republicans and had those meetings, he was back on his feet again. You know what was really important? I don't know how I forgot this. When they put out whatever their budget was, they had—I don't remember all this—they had that proposal for a \$270 billion reduction in Medicare and a \$270 billion tax cut, which was already headed on its way to the most affluent—I remember George saying we can frame our whole political strategy around this. Larry and I were there and we said this is crazy. We can't frame a political strategy around a Medicare proposal. It's ridiculous. But it turned out to be exactly right, because it symbolized for people a whole approach to—it had immense symbolic value.

Beckenstein: I have an economic policy question. You alluded to some of the less logical problems and gave the example about not interfering and making statements on monetary policy, but during your time at Treasury the economy recalibrated, clearly had a structural shift. The idea that we got down to a 3.9 percent—

Rubin: Oh, yes.

Beckenstein: —unemployment rate and nobody predicted that the inflation rate would not have adjusted. Then this new economy phenomenon clearly was taking over and investment played a role. Your earlier decision to get the government out of the way in borrowing either had great foresight or was remarkably fortunate at that time. How did you, within Treasury and then in dealing with President Clinton, figure this out, as it was clear that the old benchmarks weren't right and the economy was shifting? How did you cope with that?

Rubin: It's a good question. In '93 our theory of the case was that if we could have an effective deficit-reduction program, hopefully it would lead to lower interest rates than otherwise would have existed at any given level of GDP growth, both because we wouldn't have the crowding out and because we wouldn't have what we used to refer to as a deficit premium. What I mean by that was simply that we were afraid people might develop fear about fiscal disarray, and as a consequence, demand much higher yields in the bond market.

All that we hoped, along with renewed confidence more generally, which was something we were a little bit late to see. I don't know if you remember the debate in this campaign. There was a debate where somebody asked Bush about the deficit. They took questions from the audience and he didn't—I don't know what his answer was, but she was talking about not the deficit per se as this narrow thing. She saw it as a symbol of his inability to manage and so forth. We thought this would hopefully promote investment and stimulate investment and have all the effects you would hope.

Clinton and Gore were very cognizant of the new technologies. I don't think any of us saw very specifically that there would be these immense productivity gains, but the reality is that what he did in '93, and then continued doing through his whole time, was probably indispensable to having the productivity gains you had. It created this environment in which there was a greatly increased willingness to invest. That fortunately coincided with these immense technologies available. Some people say that productivity gains are what the economy was about in the '90s. In one sense that's true, but they didn't just happen. What he did was play an absolutely critical role. I'd call it an indispensable role.

Beckenstein: Wasn't there a concern that the inflation rate would go up?

Rubin: Yes, there was, but it didn't. Here, of course, you shift into Greenspan's world. As time went on, we continued to try to maintain a highly disciplined fiscal approach. He, at some point—Larry and I used to have breakfast with him once a week—was saying to us in our little breakfast, "There's something going on here. I can't see it. I can't point to it."

Prunty: Greenspan?

Rubin: Greenspan, yes. A productivity increase was going on that we didn't understand. He sort of sensed it before he saw it. Oddly enough, President Clinton had in some way the same instinct, because in '94—this is what I talked about before. We would tell him about NAIRU

[Non-Accelerating Inflation Rate of Unemployment] and 6 percent and all that stuff. He said, “I don’t think so. How do you know that? I just don’t think so. I think we can do better.” Laura and I would say, “Oh, Mr. President, it’s nice you think that, but [*laughs*] you’re not an economist. There’s all this data and all this stuff. It would be nice if you kept those opinions to yourself,” which he did. The fact is that, for whatever set of reasons, what he said turned out to be the case. He had some sense of it. Greenspan certainly sensed it.

Riley: We have mentioned the Vice President’s name a couple of times. I want to ask you about your sense of the President’s working relationship with the Vice President. This must have been something you tracked over a long period of time, the Vice President’s role in the administration and, indeed, your own working relationship with Gore.

Rubin: The Vice President and the President had lunch once a week. I would say Gore was very influential on the President in the areas that were of a particular concern to him: the environment, technology. Clearly, I don’t know much about the foreign policy dimension of it, but he was very involved in a lot of that. There was time even when Chris—Chris was a very thoughtful, very sound guy. He was not a great public voice. There was a decision made at some point, I think in that second two years of the first term, that Gore should be more of a public voice for foreign policy, so he had a lot of influence on the President in those areas.

On the other hand, at times he may have been a little bit frustrated, because when all was said and done it all came back—at least on the economic stuff in its broadest sense, it would come back—into this NEC process. While we certainly shared his environmental concerns, I don’t think we always weighed them versus other concerns the same way he would. I think there were times he found that frustrating. He was terrific on the trade stuff and he was very good with fiscal discipline stuff, and my impression was they had a very good working relationship in that Clinton had a lot of respect for Gore. Obviously later and when Gore ran it didn’t—some aspects took on some other form, but—

Riley: I know we’re getting close to our appointed hour. One question also about staff. You saw each of the Chiefs of Staff. I’m wondering if you could give us your assessment of the relative strengths of each of these Chiefs of Staff so we can get a better sense about what they brought to the table.

Rubin: Mack did not create an orderly White House in a whole bunch of areas. In retrospect, it’s fair to say he should have been stronger in the way a number of those areas were managed. Having said that, what Mack did do, in which he was immensely valuable, was he created an environment in the White House where people—he reinforced the norm that the President wanted, a sense of teamwork, people working with each other. In some areas like communications, there was a lot of friction, but he contributed a lot to what was done in that first period. Certainly with the NEC, if he had decided himself—I want to be the prime person around here, I don’t want anybody else overshadowing me—he couldn’t do it with the NSC because that was so well established, but he could have squashed us out if he’d wanted to.

Leon was very well organized and had a very good sense of priorities. I liked Leon a lot. I liked all of them, actually. He was very well organized. He obviously knew the budget extremely well.

He was almost revered among the House members and had been an extremely popular figure up on the Hill on the Democratic House side. And he ran an orderly process. If you wanted to go see the President, you had to do it through him. He imposed an order to the extent that it was possible. Clinton himself was somewhat disorderly, so—

Erskine, I think, was never totally comfortable, totally excited about his job. The Monica Lewinsky thing he absolutely wanted nothing to do with. But he was very effective at working with Republicans as well as Democrats and at moving legislative initiatives along. Finally, he had Podesta. Of all of those people, Erskine was probably closest to the President personally, though Mack had a long and strong personal relationship as well. Then you had John, who was very smart, understood the politics of Washington extremely well. I'd say he was more in the nature of Leon, but he was more intellectually engaged, in some respects, than Leon. Is that fair, do you think?

Prunty: Good at politics, Leon and Podesta.

Rubin: Very good at politics, absolutely.

Riley: John?

Rubin: Yes, John was very good at politics and very involved with the politics.

Prunty: Who's the one you haven't spoken with?

Riley: Erskine.

Rubin: Erskine? Well, Erskine got the '97 balanced-budget agreement done. There were a lot of people who felt it couldn't get done, but he could work with Trent Lott; he could work with the Republicans in general. When did Gingrich step down?

Riley: Ninety-eight, wasn't it?

Rubin: After the impeachment.

Riley: Right around in there.

Rubin: So he worked with Gingrich.

Young: You're on record as saying what you think Clinton will stand out for in history and his legacy, both in terms of his personal qualities and in terms of what he brought to the nation, to Washington. The two personal qualities you particularly mentioned are resoluteness and resilience. The thinking about the global economy, the appreciation of the new economy, fiscal discipline, and trade organization are things that you think are his policy legacy.

Rubin: I would add one to that if I could, the whole range of programs that evolved, what he referred to as public investment in people.

Young: Public investment in people, including inner cities.

Rubin: Inner cities and all that.

Young: It must be a sense of disappointment that much of what was built, the NEC process, all of that, seems to have been either undone or eclipsed or replaced by something else. How do you think people will look back on this? How did you think then, in the light of what followed your administration, they're going to look on Clinton?

Rubin: When people look back from twenty years from now or whenever, my guess is they'll conclude that Clinton had a very forward-looking understanding of what you refer to as a new economy—I don't like that phrase, but sort of globalization of technology—and that he had a very sound and sensible broad-based, multifaceted economic strategy that was very well geared to the times we lived in.

They'll also conclude that he made a lot of very difficult decisions and fought for them and pursued them. I guess subsumed within this, he will be viewed as somebody who continued the process—but carried it much further—of integrating our economy with that of the rest of the globe. He could be viewed as an internationalist, as somebody who understood the need to work together with others in some spirit that—I'm not sure I have the right word, but in the spirit of working with other people and with respect for them. I'm sure there are other things. This administration has something called the NEC. It doesn't function that way as far as I can tell.

Young: That's what I'm talking about. It seems to have—

Rubin: Sure. It atrophied because—

Young: Disappeared.

Rubin: At least they still have it. Larry Lindsey, who was first head of it—it was not in the mode that we did it. Did Steve Friedman do it after that? Now, it's Allan Hubbard. It's not doing the same thing. You get the impression—

Young: You think that will ever come back?

Rubin: If a future President does what Clinton did, which was to look back at how other people did things and try to design processes informed by the experience of others, people will look at this and say that's a very good idea. They might make one change; it might be that instead of having the head of the NEC report to the President, you could conceivably have that person report to the Chief of Staff. De facto, what you really had were two reporting lines and maybe that's what you'd do.

Young: But if you have crises that are in the realm of the NEC, it seems to me it's never going to—Those are never going to be dealt with through a Chief of Staff. There has to be some capacity to not go through all of that. That's happened with the NSC.

Rubin: Yes, that's right. That would make the case for continuing the reporting line of the NEC to the President. When we had the Asian and Mexican financial crises, those were handled out of Treasury, although we had a very good coordinator, Tim Geithner, who's now president of the Federal Reserve Bank. I think it was Tim who did it.

Prunty: Dan [Tarullo]—

Rubin: I don't think it was Dan so much. Tarullo was in the White House, but I think it was Tim for Treasury, and maybe Larry to some extent. I very frequently had telephonic meetings with everybody; nobody was aware of what was going on. People had other views they could lend, but it had to be led by Treasury because it was very technical. Your time frames were often very short. We had an army of people who were equipped to do that.

Prunty: You had the tools to solve that at Treasury, like Mexico.

Rubin: We had the tools, the destabilization fund in relation to the IMF [International Monetary Fund]. Remember, that's all been under Treasury. It would have been hard to do that out of the NEC.

Young: Do you think, in the long run, that the Clinton approach, the Clinton system, the changes that were brought about in thought, in concept, in policy, in process—are you optimistic that this is the wave of the future or is it going to be a thing of the past?

Rubin: Are you talking about process now or policy?

Young: Both.

Rubin: Both. We are on a policy path now that is wrong-footed on almost every front. I do a lot of public speaking. I don't charge anybody. I've never charged anybody a nickel, because I don't need to. It gives me freedom to do what I want to do. In my speeches, I often say this and believe this: We are at a critical juncture with respect to meeting the competitive challenges of China and India, with respect to fiscal matters, with respect to energy policy, and health care and all the rest. We're on the wrong foot or on the wrong path. It's deeply threatening to our future economic well-being. We have to change.

The question is will we change before there's a crisis or duress, let's say, or will it only be in response to duress? When change happens, it's going to go back to where we were, that you have sound fiscal policy. You invest in your people. You have basic research. You have infrastructure. You have to have an energy policy that makes some sense, which we don't have. Yes, it will go back. There's a process. That's a little bit of a function of personalities, but I do think something like the NEC is a very good idea; it's got to have something—

If you don't have an NEC, who's going to coordinate this stuff? The Chief of Staff could do it, but remember, the Chief of Staff usually is somebody—Leon was an exception, John was another exception, Erskine was too—all three of them—but very often there won't be somebody

who's equipped to do it. They all knew a lot about that stuff. Secondly, that Chief of Staff is going to be immensely involved in this whole panoply of things he does. He's less likely to have the time and focus.

Riley: Are you glad you went to Washington?

Rubin: Oh, yes. It's a terribly difficult and stressful way to live. I wouldn't go back. Nobody's asked me go back, so it's not—

Riley: You figured my next question.

Rubin: Full days go by when people don't call me. They may send me to Guantanamo, but they're not going to send me to Washington. We have a guy here who was Bush's chief legislative guy for the first two years, a very good guy, Nick Calio. I said to Nick not long ago, "They're going to send me to Guantanamo, but you have to get me an ocean view."

It's an amazing experience to have, not only because you can do things that you care about, which I did and it was good, but you also see the world in such a different way. You see how our society functions from the intersection point of policy and politics and message and media, all those things together. A lot of it is policy, communication, message, media. I said to Steve Friedman before he went down there: "Steve, if you do this, you'll never read a newspaper article again about an administration or read a book and see it the same way. You'll see it through a different prism." It is a remarkable experience to have, but I wouldn't do it again. Nobody's asked me to do it, so it's academic, but I'm just saying.

Riley: Well, we've reached our appointed hour. One of the great virtues of these interviews is that the people who are privileged to sit in on them never read a newspaper or read a book again [*laughter*] in the same way because of the window the interviewees give us on to political reality. We're grateful for the time you've given us.

Rubin: You all were terrific. You obviously are extremely well prepared. It's a lot of fun. It's much more fun than anything else I'm going to do today.

Riley: I'm glad you enjoyed it.