WILLIAM J. CLINTON PRESIDENTIAL HISTORY PROJECT

INTERVIEW WITH DONNA SHALALA

May 15, 2007
Washington, D.C.

Interviewers
Russell L. Riley, chair
Paul Martin

Audiotape: Miller Center
Transcription: Martha W. Healy
Transcript copyedited by: Hilary Swinson, Jane Rafal Wilson
Final edit by: Jane Rafal Wilson

WILLIAM J. CLINTON PRESIDENTIAL HISTORY PROJECT

TRANSCRIPT

INTERVIEW WITH DONNA SHALALA

May 15, 2007

Riley: This is the Donna Shalala interview as a part of the Clinton Presidential History Project. We appreciate your letting us visit with you today. Before we got on the record we just spoke about the ground rules, the most important being the confidentiality of the proceedings and I'll repeat that for the record too. I don't know that we need to do a voice check, but I'm Russell Riley, an associate professor at the Miller Center.

Martin: I'm Paul Martin, assistant professor at the Miller Center.

Shalala: Donna Shalala, president of the University of Miami.

Riley: I thought I would begin by asking you what your earliest associations were with the [William and Hillary Rodham] Clintons.

Shalala: I met the Clintons after they graduated from Yale Law School. They were good friends of Harold Ickes. I was part of the New York young democrats group. I was an associate professor at Columbia [University] in politics. My mentor was Wally Sayre there as a matter of fact. I had finished my Ph.D. in '71, went to teach at Columbia, and the Clintons were part of the social and political group I knew.

I saw them in New York periodically. Hillary went to work for Marian Edelman and for maybe 15 years she and I sat on the board of the Children's Defense Fund together. So I knew her a little better than I knew him, though he and I did some things with the [National] Governors Association and I'd see them over the years. They would stay with me in Wisconsin when they came through once I moved to the University of Wisconsin. I would describe myself as a friend but not a close personal associate.

Riley: You had followed Governor Clinton's political career in Arkansas?

Shalala: I did, though I didn't give him money, and I'd never been to Arkansas until he invited me down to interview me for a Cabinet post.

Riley: Was he somebody you thought about in terms of national aspirations? Was it in the air among the group of friends that this was somebody who was thinking about—?

Shalala: There was no question that everybody knew he was an up and comer. I don't think any of us—of the people we knew who were going to run for President, I don't think he was very high on our list. He's from a small state, Arkansas, and we weren't totally focused on it. When he decided to run for President, I kept saying to everybody, "Watch him."

But just to show you how far away we were, when I went from Hunter College to be Chancellor of the University of Wisconsin at Madison, Harold Ickes said to me, "You can't go to Madison. You're going to be a Cabinet officer in the [Michael] Dukakis administration." I was not conscious about friends running for office, even though I knew all of them because I was part of that young Democratic Party establishment where we knew everybody. But I wasn't conscious of going back to Washington. I'd been there in the [Jimmy] Carter administration. I wasn't planning to go back as a Cabinet officer.

Martin: We wanted to talk a little bit about the Carter administration time for you. How did that come about? How were you recruited?

Shalala: That was interesting. I was at the time very prominent in New York. Not just because I was an academic and a young Democrat, but because Governor [Hugh] Carey, who had gotten me to do his budget transition when he became Governor, invited me the summer after that to be a member of the Big MAC board [the Municipal Assistance Corporation] that did the New York City fiscal crisis workout. So I was prominent when Carter was elected. I didn't support Carter, I didn't support anyone who was running for President. I had seen him a couple of times when he came up. But he decided he wanted a lot of women in the administration, so he told all the Cabinet officers, "You'd better find some women for the administration."

I knew some people who were going into the administration, and I was actually offered two positions. One was in the White House as a deputy in the Domestic Policy Council [DPC] and the other was as Assistant Secretary for Policy in HUD [Housing & Urban Development]. I was an urbanist. If I remember correctly, a friend of mine who was an academic at UCLA [University of California, Los Angeles] was offered that position, didn't want to take it, and told Secretary Pat [Patricia] Harris to go find me, that I'd be a good person to be the Assistant Secretary.

I remember my conversation with a very famous journalist, Teddy White, whom I had known. When I had a Guggenheim [Fellowship], I went over to the New York Public Library every day to work on a book I had started and Teddy White was writing at the same time. We'd walk over together. He said, "Go work for Stu Eizenstat, don't go work for Pat Harris, she's impossible. Go work in the White House, you'll have a better experience." But I thought, at my age, I was in my early 30s, I really thought getting to be an Assistant Secretary and getting to see how a Cabinet department operated was a better job, so I went and worked for Pat, not for Stu.

That gave me the White House exposure and I met a lot of people. I met Alexis Herman, Henry Cisneros, a lot of people who ended up being in the Clinton Cabinet or the Clinton White House. They either went through New York where I had come from or they went through Washington during that period. So it was as much networking as anything else.

Riley: By the time you come to 1992 were you actively supporting anybody?

Shalala: No, but let me go back to one thing.

Riley: Please.

Shalala: One thing I did during the Carter administration. I was a pretty good Assistant Secretary and networked a lot and knew a lot of people. But the White House asked me and the Chief of Staff for Secretary Joe Califano, Dick Beattie, to create the new Department of Education. He and I co-chaired the group that pulled education out of the Department of Health, Education and Welfare [HEW] and created HHS [Department of Health and Human Services]. Pat Harris then was going to HHS afterwards to be Secretary and she asked me to go along to actually take the ASPE [Assistant Secretary for Planning and Evaluation] role over there, to learn about healthcare. But I thought it was time for me to get back to the academic world.

I stayed with Secretary Moon Landrieu. That experience, creating a Cabinet-level department, I hadn't gotten there in time to help Pat create the department. Mostly her staff was in place by the time I got there, but I did have a chance to help Shirley Hufstedler put it together. So I was very conscious of how Cabinet departments were organized and how you interacted with the White House on personnel and other kinds of issues. That turned out to be an important skill years later. I was a political scientist, I knew the literature. So I actually knew a lot about how you organize the federal government, which became helpful afterwards.

The answer to the question whether I worked on the campaign, I did not. Clinton and [Albert] Gore came through in the last days of the campaign and they had a huge rally. I think it was in the last five days of the campaign. Harold Ickes was yelling at me that I should not have them in Madison. I actually hadn't invited them. I had dinner for them at my house with the Secret Service, and lots of their staff came along. They were both there, which was unusual for them to be together.

Riley: So this is late in the campaign?

Shalala: This was five days before the election in 1992. Clinton of course had known me and they hung out at my house that evening. He and I had a chance to talk a lot about how you organize government and what you do in your first days. I hadn't known Gore very well at all, but we chatted that night as well. They were both mostly on the phone. I think it was five days before the election.

Riley: And you were having friends in?

Shalala: No, actually it was their staff. I fed their staff and the White House press corps. I did not have university people over. They wanted to eat. So the easiest place for them to eat with the entourage they had was to come over to my house. I was Chancellor of the University. Rather than turning it into a total political thing with a lot of Democrats there, it was just their traveling staff and they who stopped over and had dinner at my house. I had a huge Chancellor's house.

Riley: Do you remember anything in particular about your conversations?

Shalala: Yes, it was about management. It was a very detailed conversation about management. He said, "We're going to continue this conversation" and that was it.

Martin: Can I dial back to when you're at the Carter administration helping to create the Department of Education. What in the academic literature was useful to you? Did you find it generally accurate in terms of what you should do or the advice that you took?

Shalala: I was very nervous about the Department of Education because it was going to be dominated by constituency groups. So we thought about making sure that they had a policy arm and a research arm and making sure that the Deputy Secretary had some clear authority over things and that you didn't narrow down parts of it that could be dominated by constituency groups. What Dick Beattie, who is a big New York lawyer now, and I thought about as we were putting it together. But neither one of us was very enthusiastic about the idea of pulling education out.

I also noted that they dumped a lot of people. HEW dumped a lot of people in Education that they wanted to get rid of, budget people and other people. So we were trying to worry about that.

Riley: We'll want to use that as a baseline for some comparative questions when we get into the Secretary position.

Shalala: Okay.

Riley: But you see the candidates just before the election. At what point are you approached about something beyond just being a friend of Bill and Hillary?

Shalala: It's interesting. I saw them again after they were elected. Just President-elect Clinton and Mrs. Clinton because the Children's Defense Fund had their big dinner. I had replaced Mrs. Clinton as chair of the board. When she started the campaign, I became chair of the board of the Children's Defense Fund. There was a huge dinner that they were both going to speak at in Washington, the annual Children's Defense Fund dinner. And Hillary said to me, "We want you to join us in Washington." I just sort of looked at her. That was the first contact I had after the election.

Did I think they were going to invite me to come down? Yes, I did. Whether they were going to make it worth my while to leave one of the great universities of the world, I wasn't so sure. I was perfectly happy at Wisconsin. I had earlier turned down an opportunity to leave, to do the [University of California] Berkeley job. So I was not inclined to leave. I had only been there for five years, and my inclination was not to leave unless it was a spectacular appointment.

Riley: You must have been thinking about what it would take to make it worth your while.

Shalala: I actually didn't. I didn't know what was available. I didn't know who Clinton was talking to.

Riley: Who were their big people in Wisconsin, by the way?

Shalala: No one.

Riley: Nobody, okay.

Shalala: Nobody. I didn't work on the campaign. I saw Hillary once during the course of the campaign and then saw Governor Clinton and Senator Gore. Hillary stopped by. I met her at the airport. Just said hello. She didn't come over to the house. She didn't stay overnight or anything. I had almost no contact with them during the campaign. I had friends who were working on the campaign in New York, but I wasn't—

Riley: But not many people—

Shalala: And I didn't talk to the Wisconsin Democrats or anything. I was working for Republicans, I was working for Governor Tommy Thompson. I was the chancellor of a public university. I had been careful at Hunter [College of the City University of New York] too, when I was president. You have to be careful when you're a college president.

Martin: Especially in Madison.

Shalala: Yes. Florida is worse. They're more Republicans down there. Cubans or Republicans.

Riley: At what point then are you approached and by whom?

Shalala: Warren Christopher. I knew Chris from the Carter administration.

Riley: Okay.

Shalala: He called. He was organizing the Cabinet stuff. He called. He didn't say, "Are you interested?" He said, "We're interested in you. Your name is coming up on everybody's list, so I'm going to be in touch." And I said okay. Then it was very quick. I think it was early December. He called and said, "Would you come down and talk to Clinton?" I said, "Yes, of course I'll come down and talk to Clinton. But this has to be kept very secret. I have a job. Everybody here is full of rumors." *The Onion* had a front-page story saying I was leaving. I was denying I had had any contact.

So I got on a plane. All I remember is it was hard to get there from Madison, Wisconsin. You have to go through St. Louis to get there. So I flew down.

Riley: Your first trip to Little Rock.

Shalala: My first trip to Little Rock. Ran into a lot of old friends. Charlene Barshefsky, Madeleine Albright. Everyone was wandering around. I saw Hillary for two minutes. Went to their house and had a little bit of lunch. Hillary gave me a hug but she said, "*He's* got to talk to

you." She was being careful not to—she was clearly having private conversations with him, but she was not signaling any of us in any way.

I saw Madeleine and she said, "I don't think I'm going to get anything." I said, "I'm sure you're going to get something, Madeleine, just hang in there." So I was ushered in to talk to Clinton. I had a great conversation with him about management, about Washington—

Riley: He remembered the conversation?

Shalala: Yes, he did, there was no question about it. About HUD, about Education. I signaled him I wasn't interested in either one, that Henry Cisneros ought to be part of the conversation. I remember Sam Nunn called in the middle of the conversation. It was the only phone call he took. We must have had an hour and a half conversation. Nothing. Nothing. No offer. So I left there saying, "Gee, that was nice. That was kind of fun to talk to the President-elect about how you get started in Washington." I met Mack [Thomas] McLarty for the first time. I saw Warren Christopher. Warren Christopher said, "We'll be in touch. He's not quite sure how he's going to organize this." I told him Henry Cisneros—he pushed the Education thing a little bit, but he had a bunch of Governors he wanted to appoint as Education. Never mentioned HHS. Never had a conversation about HHS.

We talked about total quality management. We talked about how you dealt with complex issues, how you had to organize yourself—

Martin: In these conversations are you educating him or does he have his own ideas about management?

Shalala: No, I'm educating him, a little about how you run complex places, and he's asking about my management experience. One thing he did say was he wasn't talking to a lot of people who knew how to manage anything.

Martin: That's what I was wondering.

Shalala: He was talking to lawyers and other people, legislators.

Riley: Right, and was White House agency or White House executive branch relations a piece of this too or was that just—

Shalala: No, it was just about management. So I left. Went back. The next thing I heard, it couldn't have been more than two days. I got a call from Christopher that said, "We want you to come down, he's really interested." Meanwhile I had talked to Marian Edelman, and Marian said, "You really ought to be interested in HHS. I don't think they have any candidates for HHS." I said, "I don't think he wants to talk to me about HHS, Marian. I know the welfare stuff and I know the childcare stuff and I know NIH [National Institutes of Health] because I sat on the board of the National Institutes of Health." I was on the directors' council for three years, moving up to this. I knew a lot about Medicare and Medicaid just because I had done social

policy and I had a hospital. I had a big operation in Wisconsin and I had interfaced with the hospitals in New York too. I knew the Health and Hospitals Corporation.

She said, "I don't know what they're going to do. They seem terribly disorganized. I'm not going in. I'm not going into the administration." I had a few calls from friends in New York saying, "You're clearly on Clinton's short list," but mostly it was calls from people who said, "Your name has shown up on every list." It's the overlapping list thing. I was on the Carnegie [Foundation] board with Henry and Bob Rubin. We all knew each other and had known each other. I knew Bruce Babbitt. The only person I actually didn't know that he eventually picked was Janet Reno. Everybody else I had met in some other world or they were in the Carter administration with me.

So I went back down and Christopher apologized. I said, "Give me a hint, Chris, what's he going to talk to me about?" I got in to talk to Clinton and again it was this vague conversation. Then he apologized to me. He said, "I really wanted you to be HHS Secretary and I was going to bring it up with you but Joycelyn Elders thought she was going to be HHS Secretary. So I had to make her Surgeon General."

I said, "Mr. President, there's not a vacancy there." He said, "What do you mean there's not a vacancy?" I said, "Because the Surgeon General of the United States has a term." He said, "How come none of my staff told me that?" So he called in Christopher and said, "Donna says the Surgeon General has a term." Christopher looked surprised. Left, came back, and said, "Yes, the Surgeon General has a term and there's a sitting Surgeon General."

So Clinton turned to me and said, "Well, when you're HHS Secretary that's the first thing you have to deal with because you've got to get that person out of that job." It was that casual, that disorganized, that casual. So Clinton said, "They're drafting the press release now." I said, "They're doing *what*?" He said, "They're drafting the press release, we're going to announce this right away." I hadn't called my mother, let alone the chairman of the board of Wisconsin or anyone else. That should have been a signal to me about how disorganized the Clinton White House was going to be, but I wasn't going to turn down HHS.

When people said to me afterwards, "You were playing hard to get," I said, "No, I just knew who the players were in Washington." Education wasn't going to be an important place. HUD wasn't going to be an important place. Prominent people could make these jobs prominent, but they couldn't make them powerful positions in Washington. I wasn't going down for anything less than a powerful position and that was the only one, other than Chief of Staff—which he wasn't going to give me. He was going to take someone from the campaign.

Riley: You said you had met Mack earlier. Did you get any inclination at that point that he was being considered for Chief of Staff?

Shalala: No.

Riley: Was there any discussion about who the White House staff would be?

Shalala: No, didn't have any conversation. I didn't know the people from the campaign other than Harold and some of the New York people. I didn't know anyone from the campaign.

Riley: Did Harold know at that point? The sequencing I guess was that he was going to be deputy until that—

Shalala: I didn't have a conversation with him about what he was going to do.

Martin: Why did you think that HHS was going to be a powerful position?

Shalala: Because I knew healthcare was going to be a big issue. I did not know Hillary was actually going to run it. I didn't know who was going to run it. I also thought we were ready for welfare reform. And it controlled so much of the budget. Remember Social Security was inside. It controlled a huge part of the budget. It was larger than the Defense Department. So it was a very powerful job in Washington.

When I had been in Washington last, it was very clear what the powerful jobs were. On the domestic side, the only one of any significance was HEW, the HEW, HHS job. Everything else was you get to be a Cabinet officer. I just have never, I didn't have a fire in my belly to be a Cabinet officer. I love Washington and I love the politics. But if Clinton had said to me, "Sorry, you didn't get the job," it would not have ended my life or my career or anything else. Heck, I had one of the great jobs in higher education at a place I loved. I was a Midwesterner. So Wisconsin was—I had been considered for Michigan too, but I thought Wisconsin was a better job at the time.

Martin: Did you have any sense that he was talking to other people about management?

Shalala: No.

Martin: You were the extent of his education?

Shalala: I don't know of any, I later talked to some Cabinet officers. He mostly talked about policy with people, what he wanted to do. He certainly talked to me about policy. Then we just drafted the press release and went in and made the announcement.

Riley: All in the same—?

Shalala: Yes, and it was done.

Martin: At the time did you get a sense more that he was just trying to check off boxes?

Shalala: I thought he was trying to get his Cabinet put together as quickly as possible, with a lot of advice. I don't think I saw Vernon Jordan on that trip. I certainly saw Chris, and Gore was around. We went in, made the announcement, a bunch of other people announced at the same time. And it was done. I flew back to Madison and tried to get my life in order. And tried to figure out who I was going to get appointed to different positions.

Riley: Was there a discussion about your freedom to designate those—

Shalala: Yes, we talked a little about Cabinet people. I told him that I really needed some flexibility, that all the people would be Democrats and acceptable to him, but I was a team builder. He certainly said, "You've got the authority. There'll be a lot of people we want you to interview." Then he said something about, "We want you to take some people from the campaign." I said, "I've got no problem with that, but I have a strategy in mind." I had learned in the Carter administration.

Riley: Can you tell us what that was?

Shalala: Yes, my strategy was to take the kids. I took everybody under 30. First of all, I found a chief of staff who had worked on the campaign, Kevin Thurm. He was recommended by Harold Ickes and Sarah Kovner and my friends in New York. A brilliant young lawyer who had been a Rhodes Scholar. I grabbed him and I said, "Kevin, go find two dozen kids who worked on the campaign, who have good undergraduate degrees, and who are willing to be special assistants to the senior people." Then I got on the phone and I started calling everybody I knew to try to find Deputy Secretary, all the Assistant Secretaries. I got lots of recommendations.

I found Phil Lee in California who knew all the health people. I put that group together before they had a White House Personnel Office. Before there was a White House Personnel Office, I had my senior team signed off by Gore and by Clinton. The first day they were in office, I was in there with my list. Women, minorities, lots of people from the campaign. They knew I was taking people from the campaign. I was grabbing people from the campaign. So we got credit for the campaign people. There were some arguments. Bruce Lindsey and I argued about the general counsel. I wanted Harriet Rabb from New York who was an associate dean at Columbia. They wanted me to take some campaign person. I said, "This is too dicey a job, I need a first-rate lawyer."

Then they tried to sell someone to me as the deputy general counsel, but I had more people from the campaign than anyone else. Of course, I had all the kids that knew everybody in the White House, which turned out to serve us well. The other thing I did, I knew from the Carter administration, was to find some White House, some Washington types. So the entire legislative staff were Washington types who knew what they were doing.

I protected two positions: general counsel and IG [inspector general]. I didn't take a political person for the IG job. The IG Act had been passed when I was in the Carter administration. I called Chuck Dempsey who had been the IG and very helpful to me during my time at HUD and said, "Who is the best IG in the government that might come here?" He said, "The best one is June Brown who works at Defense. I don't think she's going to come over but try her. She's the leader of all the IGs in government." So I called June Brown. She said, "For anyone else I would not do this. But I've heard lots of great things about you so I'll come interview." She stayed for eight years, she was fabulous. She was the great IG of the government.

We worked closely together. I promised her she'd be part of the policy development process even though she didn't have to sign off on what we were doing. She reviewed every reg [regulation]. We never got investigated. There was never a scandal associated with the department. We had an excellent working relationship with June and her team. They were loyal, but they were ethical. They told us if they thought something was wrong. She or a senior member of her staff sat in the major policy discussions and in the reg review process. They reviewed them all though they didn't ever sign off on them because they might have to criticize them later. And I took very good care of them.

I got them their guns, I got them a revolving fund to do their investigations. Senator Susan Collins will say that no one had a better IG than I had or a better relationship between a Cabinet officer and an IG. That became a very important—I knew where to put career people. Because my people weren't confirmed yet, I ran the department with the SESs [Senior Executive Service]. Remember I had been at Syracuse [University]. I'd studied public administration with the best of them. So I ran the department with senior civil servants initially. It was fun.

The first five years we were in government we took most of the PMIs, the Presidential Management Interns, because we knew about the program. So we hit the ground running. We knew what we were doing. We had a bunch of pros. We got them confirmed pretty quickly. There were a couple of glitches because of Senator [Daniel Patrick] Moynihan but more because he was mad at the administration, not because it had anything to do with me. We basically got our people in place and solved the White House political problems by hiring the younger people.

Riley: So that was the—

Shalala: The strategy was to take a lot of people from the campaign but take people under 30. They were the people who had carried the bags of the principals. They had direct access to the White House. They knew everybody. Kevin Thurm had been a classmate of George Stephanopoulos as a Rhodes Scholar. By the time I was finished, I had had three Rhodes Scholars and three of them, Dan Porterfield, Kevin Thurm, and George Stephanopoulos, had been in the same Rhodes Scholar class. And having those connections made a big difference.

Riley: These are people who are not only intellectually bright, they've got good political instincts.

Shalala: And good ethics. They were very ethical and loyal to me, to the department. A lot of the young people we took were very loyal to the department. They weren't just loyal to the President. The fact that they had gotten jobs early on, no one was taking the young people. We took the young people. So the best of the young people came to work for us, and everybody else envied them.

Now, they didn't get to be Assistant Secretaries or even Deputy Assistant Secretaries. They got to be special assistants to the general counsel, to the Assistant Secretaries. They got a wonderful experience. Many of them moved around. It's a great first job. I didn't let them stay longer than four years. I told them to get on with their careers. The second group all got placed. I was the only one who worried about whether they got jobs or got into graduate school. But they were

very loyal. We brought people from the White House. The speechwriters Hillary had after the first two years, or the President had, a lot of them came from my staff.

So there were a lot of people leaving us, going to the White House staff. But people just had a wonderful time, a wonderful experience. Most of my senior staff stayed for the eight years.

Riley: What about the policy areas? You've told us about how you were setting up the personnel shop—

Shalala: The policy areas. On Welfare I brought two people the President thought the world of, both of whom I had known, Mary Jo Bain and David Ellwood from Harvard [University]. Mary Jo became the Assistant Secretary for Children and Families, David became the ASPE. David worked with the White House staff on putting together the welfare reform policy. There was some tension there.

On healthcare, I had the staff because I had Judy Feder who had worked in the campaign and had been on faculty at Georgetown [University] and on the Hill. The President decided on that White House approach, which none of us thought was going to work, but there was not much I could do. He wanted Hillary to run the thing, which meant we had to provide a lot of the staffing. What we did was very ethical. We never got caught in some of the hiring mistakes that other people did. We just didn't let people get pushed on us or put people on the payroll where it was inappropriate, where it was an end run around the rules. We knew the rules. The SES people I had run the department with before everybody was confirmed were very loyal, always in the room. We never had just political meetings or political appointees, so they were integrated into the senior leadership and they would tell us if they thought we shouldn't do something. Harriet Rabb and Kevin Thurm were tough. They were just not going to let us get into trouble.

Riley: Did you have conversations with the President during the transition period or with anybody on the transition team about what the priorities were going to be in the new administration?

Shalala: Yes. He told me the priorities were going to be health, welfare, and immunization. He wanted to get the immunization done short term. He wanted us to go to work on that right away, which we did. For welfare we started a process. For healthcare the process was going to be started in the White House. Judy Feder went out to the famous meeting in Little Rock where they discussed it. I was up for confirmation so I didn't go.

Riley: This was in the transition.

Shalala: Yes, during the transition part. And I was still at Wisconsin. It was very complicated for me.

Riley: Tell me about that meeting. You said it's very famous but I'm not sure —

Shalala: It's a famous meeting because they all went down and the President talked about how he was going to run the healthcare reform process with his own staff, basically with Ira

[Magaziner], and I think everybody had a heart attack because it was so contrary to the way that anyone with Washington experience— I'm told that when they got back on the plane, Bob Rubin had three scotches, one after another. He never told me that but I'm told.

Riley: That's atypical for him, isn't it?

Shalala: Yes, it was atypical. Judy Feder was rolling her eyes, but we were going to work with the process. I thought the world of Hillary. She was very smart. As it turned out, it couldn't have been more tragic. Her father was dying, she didn't have a lot of time, and Ira just ran with a very complex process that made no sense given the politics.

Martin: So the task force idea comes from Clinton and from Hillary Clinton as well?

Shalala: I think it was very much both.

Martin: It's taken early—

Shalala: Yes, it was an early decision. There was no way I could turf fight over that. What I needed to do was to make sure I supported the President even though a lot of us told him that we thought it was screwy, that he should draft principles, go up to the Hill. Alice Rivlin felt very strongly that we should go up with a list. I think everybody else did too. I think the Secretary of the Treasury at the time had a lot of Hill experience, and he was just scratching his head. It was screwy, but when the President and the First Lady decide they want to do something first on, unless it's illegal you support it.

Meanwhile, we were all working on everything else we were supposed to be working on. We had a big department to run.

Riley: From your vantage point it was problematic, independent of who was involved in it. I guess what I'm trying—

Shalala: Yes, independent of who was involved, absolutely. It was problematic from the beginning. Doing that kind of thing out of the White House was very problematic. Doing it secretly with this huge business of task forces without responding to the stakeholders was a big problem. A doctor, anyone's doctor is not the AMA's [American Medical Association] doctor. There were rules about how the politics needed to be put together here. We all knew better, but it was hard to get through, it was very hard to break through.

Martin: Is there a story about how this idea forms?

Shalala: No, I think that they actually had the idea from the beginning. Ira had worked with them before. He was a close personal friend of theirs. I think Ira came up with this long piece of paper that explained how we were going to do this thing. We all looked at it and rolled our eyes.

Riley: You knew Ira from before?

Shalala: No, never heard of him.

Riley: Which I guess was a signal to you that this could be—

Shalala: No, I think the process was strange to me. But it was also strange to the pros, to the Rivlins, to the new OMB [Office of Management and Budget] Director Leon Panetta, to Secretary Lloyd Bentsen, everybody was just rolling their eyes about the process.

Martin: And no one could persuade the Clintons otherwise?

Shalala: No, they had made up their minds. We were new. What are you going to do, tell the President, "I'm going to quit because I don't like your process for putting in healthcare reform"? We also all thought we could influence it and shape it.

Riley: Sure.

Martin: During the transition, between the time that you are announced and you are confirmed, do you have any other role helping advise the transition or are you worried about your own HHS at this point?

Shalala: No, the answer is not much. Everybody was scrambling because we had to get confirmed and they were reading everything we had ever written. You could imagine, being an academic and trying to get confirmed. I didn't know what I had written 30 years before. So it was very—we were scrambling. I also had some things I had worried about. Francis Collins was being considered to head the Human Genome Project. He was about to say no to the new administration, and the Director of the NIH Bernadine Healy called me and said, "He's the best person to run the project, see what you can do."

I got on the phone and I talked to him. I wasn't even confirmed yet and I talked him into taking the job, which turned out to be a watershed in American science policy to get him to do that.

Martin: Which he's still doing.

Shalala: Which he is still doing. And he'll say he wouldn't have come if I hadn't gotten on the phone and insisted he come. We were scrambling on some other positions. I wanted to keep David Kessler. I enlisted Al Gore to help me talk to the President. While the President would talk to me a lot on the policy stuff, he wasn't as sure I knew as much about FDA [Food and Drug Administration], but Al Gore knew a lot about FDA and knew David Kessler, had worked with him. I knew that. There were actually two people I wanted to keep, David Kessler and Arnold Schwarzenegger. Schwarzenegger was Chair of the President's Council on Physical Fitness. He had two more months to go. We did keep him for the transition, but I couldn't get Clinton to do it. Clinton said, "Go see [Edward] Kennedy." Kennedy said, "Nah, he's a Republican."

Martin: Is there a competition at this point between you and other Cabinet Secretaries for personnel?

Shalala: No, there isn't. First of all, we need specialized personnel. At least I needed specialized personnel. Second, I was focused on deflecting appointments I didn't want to make, so I was trying to get those kids in as fast as I could to demonstrate that I was a loyal player, but I wanted to shape it. Third, I had some really important decisions. While the President's priorities were healthcare, welfare, and immunization, those were the three things he gave me, my priority was the National Institutes of Health and science.

The first budget was put together with a blink. I didn't have a chance to do very much in the first budget. The second budget we had a huge impact on and we started ramping up and doubling the NIH, but to do that I had to get a new director. Bernadine wanted to stay, but it didn't make any sense. I wanted a bench scientist, I wanted a world-class scientist and that was going to be a huge fight because there was a list of candidates. Judith Rodin very much wanted it. I had enormous respect for her but she wasn't a bench scientist. She was very smart. After a search I wanted Dr. Harold Varmus, the Nobel Laureate from NCSF. I had to convince the President to make the Varmus appointment. That probably was the most important thing I did as Secretary.

There were a lot of other things we did. We expanded children's health insurance. We did welfare reform, we did lots of other terrific things. But NIH would have the most lasting impact. I knew it. It wasn't just because I came from a research university. I just knew that we were in this golden age of biomedical research. We had a chance to do something really important.

Martin: For the scholars in the future, especially public administration folks, you get credited by the time this administration is over with being one of the most effective administrators of a Cabinet-level agency. Are there things you did during this time, in addition to what you've already said, that count toward making a very effective—

Shalala: I actually did an article, I don't know whether it's in here, before the American Political Science Association. I gave one of the endowed lectures in which I outlined—and I did it for the American Society for Public Administration [ASPA] too, and we should track it down. The ten things you need to do if you're going to run a large, complex department. It had to do with team building. It had to do with having respect for the civil servants and supporting your people. It also was about being very selective about your senior staff.

In higher education we never change everybody all at once. There is no spoils system when a college president comes in. You've got this incremental process you do. Your deans retire during a steady course of your tenure in higher education. And people have tenure. No one has tenure at the top of government. So you suddenly come in—and I've always thought brilliance was overrated. I was looking for team people. I didn't care whether they were pro-choice or anti-choice.

Someone said to me afterwards, "You know Mary Jo Bain was anti-choice?" I said, "Who cares?" I only asked people if they could support the President's positions and they said yes. When they couldn't, they'd leave. So I actually built teams at the highest level. I also built teams that had great respect for the civil service because that was the only way— [*interruption*]

[**BREAK**]

Riley: We were talking a little bit about your article.

Shalala: About how you organize a Cabinet-level department. There are a couple of things. Number one, because I had come out of Syracuse, out of the Maxwell School, I knew a lot of the public administration leaders in Washington, a lot of them were Maxwell graduates. There's a Maxwell Mafia down there of public administration people. A lot of them were in the department already. I had a very good reputation among the senior civil servants because I had come out of Maxwell, I was a member of the National Academy of Public Administration, I was a member of ASPA. They had known me over the years, the senior Washington SES types.

I came in with them being excited that they got me. That helped a lot in terms of their help in organizing the department. We didn't get tripped up by senior civil servants, neither at the beginning nor at the end. They didn't try to do us in. In fact, I told everybody to describe them as our colleagues who had been waiting for us for 12 years. The fact that we brought in a June Brown in the IG's office. Lots of Cabinet people get just screwed, they get leaked and all these other things. None of that happened to us.

We came in respectful of them. We didn't have separate political meetings. They were always in the room. I ran the department with them for a couple of weeks until we started getting people confirmed. I always had them at the table. I had a big table when I made policy decisions. It was never a tiny group.

Martin: Were any of them elevated to political positions?

Shalala: No, Deputy Assistant Secretary in Management and Budget, for example, I combined Personnel and Budget while I was there. We had some Deputy Assistant Secretaries. I think the SES'ers ran Personnel and the number two jobs in Management and Budget and certainly the IT [information technology] jobs. We were very careful of where we put—even though we had 500, 600 local appointees, we were pretty careful about where we put people. We also never appointed someone who wasn't a substantive leader in their area.

You not only had the two from Harvard but you had Bruce Vladeck at HCFA [Health Care Financing Administration]. Walter Broadnax came in, who was a major figure in public administration, another member of the National Academy. At one time we had more members of the National Academy of Public Administration than any other Cabinet department. But the people we brought in who were the political appointees were giants in the field and the civil servants felt privileged to have people like that. They were used to political appointees who didn't know anything about the substance. We brought in people who actually knew the substance.

After David Ellwood, Peggy Hamburg came in. Olivia Golden took Mary Jo Bain's position. These were real experts and highly respected by the civil servants. They'd read their books, they'd read their articles, they had heard about their reputations. They had either run state government agencies—Bruce Vladeck knew as much as anyone in Medicare and Medicaid about the substance. So they were dealing with political appointees who actually understood the substance.

Riley: Did you have conversations with other members of the Cabinet about—were they coming to you because you were being so successful?

Shalala: No, very rarely. Every once in a while when someone got into trouble—I remember Bruce Babbitt said to me, "Is it true that you never have a private meeting with anyone without a note-taker?" I said, "Oh, Jesus, Bruce, are you meeting with people without a note-taker in the room, a civil service note-taker?" He said, "I also heard that you never see anyone unless the IG and the general counsel have signed off." I said, "*That's* true, because you want to check their backgrounds." I knew better than they did. They were amateurs, even if they had been Washington types.

Riley: Let's go back to the baseline that we talked about a little while ago, about your Carter experience. What noticeable about Washington had changed from the time that you were serving earlier to the time that you come in—

Shalala: Couldn't go to dinner with people. They couldn't pick up the check, whether they were lobbyists or journalists. It was a different world when I came back. I had known Mrs. [Katherine] Graham before because Donnie Graham was a friend of a friend in New York, and Felix Rohatyn who had been chair of the MAC [Municipal Assistance Corporation of the State of New York] board had written a note to her about me. So I was part of the social set, even as a Carter administration person. I was a member of St Albans, for example, the tennis club, which no one else could get into. But socially I had actually mixed at the highest levels in Washington in the Carter administration, the way other people had.

So when I came back, I knew Meg Greenfield at the *Post*, Leonard Downie (Executive Editor of the *Washington Post*) had been a high school classmate of mine. We had been co-editors of our paper in junior high school. I knew a lot of the Washington—I knew Jim Wolfensohn, I was going to sit on the board of the [John F.] Kennedy Center [for the Performing Arts]. So I came back as someone respected by the civil service, not as well known by the Clinton people, the political operatives, but also known by the social crowd in Washington. So I came back and fit like a glove.

The tricky part was the policy-making part and the political part, but I had enough people around me who were going to get me through those first bumbling days. Moynihan was out to get us from the beginning.

Riley: Explain that. Why is that the case?

Shalala: He was mad about welfare reform. He wanted us to do welfare reform first. The President didn't want to do welfare reform first. He wanted to do healthcare reform first. Moynihan beat me up on that subject and held me responsible. Stephanopoulos and I had argued because Moynihan signaled to me that issue when I went around to see all of them, and Moynihan had been a friend. I was one of his sources for his books. He signaled me that we better have a lot of welfare in my testimony. Well, we didn't because the White House took it out. So I took the flak on that.

But other than Moynihan everybody turned out to be a friend as we worked through, whether it was [Charles] Grassley or the Mississippi Senator [Trent] Lott. Everybody voted for my confirmation, I think, except Senator Bob Smith, New Hampshire. Even the Mississippi Senators because the chancellor of the University of Mississippi was a friend of mine, Robert Khayat, and he called the two Mississippi Senators and said, "You'd better vote for her." So I was considered a great friend of Mississippi. I did a lot of things for Mississippi while I was there. I saved their catfish industry, defended Ole Miss [University of Mississippi].

I had an easier time in the sense that I knew how things were organized. I didn't have an easier time than anyone else did because of the policies and a Clinton White House that was somewhat disorganized. The President was fun to work for though. He was really smart. The Cabinet also wasn't chewing each other up. Unlike the Carter Cabinet that I remember where there was a lot of backbiting, not in this Cabinet. In fact, we worked together.

Riley: To what do you attribute the difference?

Shalala: A lot of us had known each other in the earlier Carter administration. A lot of people got the Cabinet posts at the right time in their careers. They were at the top of their game. So I wasn't worried about the next job I was going to get. I don't think Bruce Babbitt was either, or Henry Cisneros or even Bill Richardson or some of the other people. They were just decent people. We got along as a Cabinet. Bob Reich was a little—had more problems than others because of the economic group. They didn't seem to have as much respect for him, and he was more of a loner too. But he had a direct relationship with the President. Other than him, in that initial Cabinet, I think everybody else was great friends. I had an excellent relationship with them, I didn't have a bad relationship with any of them including Bob.

Riley: Did the Cabinet itself serve any useful purpose to the President?

Shalala: Yes, we got a lot done among us. There were a lot of things we had to work on together and we got a lot done. People asked me during Monica Lewinsky whether it was awful and we couldn't get anything done. I said, "No, we got more done" because the White House people were totally focused on that and we were—there was a lot of Cabinet government in this Cabinet because Cabinet members worked together. Not because the President convened the Cabinet and said, "We're all going to do this together." We also did a lot of lobbying together. We fought for the balanced budget and for NAFTA [North American Free Trade Agreement]. We were organized.

When we had emergencies—I described James Lee Witt as a tough guy, only in the sense that he could whip us into shape to get things done. But there were a lot of situations, whether it was a crisis or we were pushing a major piece of legislation together in which there was a lead in the Cabinet, and we just all worked together. We worked together on immunization. I got everybody working on immunization. I had an excellent relationship with the Secretary of Defense, all three of them actually.

Riley: So somebody from outside, if a scholar was looking at the administration—

Shalala: We were grownups.

Riley: Okay.

Shalala: We were just grownups who learned to work together, who were cordial with each other, who knew each other a little socially. We went out together periodically. The women in the Cabinet had dinner before the State of the Union addresses. Periodically, second term particularly, we all went out to dinner together, when we could get everybody together. Gore took a group of us off to Russia and that bonded us. Much more than what I observed in the Carter Cabinet, or the [George W.] Bush Cabinet, much more collegial.

I think some of it was that we worked together and were coordinated on a number of issues. Not that the formal meetings of the Cabinet were that important. They were funny. There were a lot of funny people in the Cabinet, jokesters, a lot of hilarious people. It was a lot of fun. I had a great time. I'm one of the few people who came to this town and had a fabulous time for eight years.

Martin: There are a couple of issues that the agency dealt with, also administrative questions about restructuring. Social Security was brought out—

Shalala: Over my objections. That was a payoff to Moynihan, that was a clear payoff to Moynihan. No one on the Hill really felt we should do it. I thought it was a huge mistake to create an agency independent of a Cabinet officer. We had restructured Social Security, it was a much smoother operation, it was in great shape. But Moynihan wanted it, had always wanted it as an independent agency, and everybody was going to go along with him. They thought he knew what he was doing. I always thought he knew what he was doing, from a policy point of view in management and leadership I thought he was dead wrong. I thought an independent agency, sticking out there alone, without a Cabinet member who had direct access to the White House, was a huge mistake for Social Security. We were still administering Medicare through Social Security.

Now, because we had once owned Social Security, we figured out how to do that, but I thought it was a mistake then, I still think it's a mistake. I think that's why NSF [National Science Foundation] isn't as well supported as NIH is. I really think it does make a difference when a powerful member of the Cabinet is an advocate. I paid a lot of attention to NIH and appointed first-rate people to run it. Someone said, "Well, it's off in Baltimore." I said, "So is HCFA, so

are Medicare and Medicaid." That wasn't the issue. It was a clear Moynihan deal. The President told me, "I know you're right, but I've got to give this to Moynihan."

Martin: Did you get anything in return?

Shalala: I got a lot of chits from Clinton, Clinton gave me a lot of chits.

Martin: I meant from Moynihan.

Shalala: From Moynihan, no, he was still as feisty as ever. He knew I didn't think an independent Social Security was a good idea.

Martin: The other aspect was Al Gore's Reinventing Government. You lost 2,000 jobs or so?

Shalala: Most of the jobs we lost were in Social Security. We didn't lose many jobs in other agencies. I already knew about quality management. We did a lot of the reinvention stuff, mostly through our own Management and Budget people. First it was Ken Apfel, but really John Callahan was an expert in that area. Callahan had been a classmate of mine in graduate school. We knew each other very well. I'll tell the story about how I got him. I wanted him first term, but he was working for [James] Sasser as his chief of staff. Sasser was going to run for reelection. Sasser lost. Callahan was suddenly free. Apfel was leaving and I wanted him in the job. This is how I knew how to work the government.

I said to Callahan, "I can't get you because they're going to send a bunch of names over to me. People want this job, it's very powerful, Assistant Secretary for Personnel and Management and Budget in our department is the most powerful sub-Cabinet-level job. Have Sasser tell the President—because the President wants Sasser to go to China for him—tell Sasser to tell the President you've got to have this job." So the President calls me up and says, "Listen, Donna, I just got Sasser convinced he's got to do China and he's got some guy who was his chief of staff and his campaign manager that he's got to have a job for, and the guy has identified a job in your department."

I said, "Gee, what is it, Mr. President?" He said, "Your management and personnel job, your budget job. I don't know this guy from Adam, but would you at least interview him? I'd consider it a personal favor." I said, "Sure, Mr. President, I'll talk to him. What's the guy's name?" He said, "John Callahan."

So I called the President in a day and said, "I talked to this guy Callahan. If you really want me to take him, fine, but your personnel office has all sorts of ideas." He said, "I'll take care of the personnel office. If you'll do it, I owe you." So I got Callahan. A year later the President said to me, "How was that chit I made you take? How's that guy Callahan?" I said, "Oh, he's doing all right." I never told the President Callahan and I were long time friends.

I had learned the system. If you wanted someone, you sent their name to the White House. You didn't send it. Have the name come over, back to you. Which is the way, once the Hill personnel office was set up, that we got people. As long as the person was on their list, they couldn't say,

"We want you to take that guy versus that guy." As long as they were on their list, it meant that they had approved the person. So I got Callahan, the guy I wanted, by working the system. That's what I mean by understanding. That's true of any Cabinet post in any administration. If the President calls you up and says he wants you to take someone. Sasser still chuckles about that.

Martin: Do you have a sense of other Cabinet agencies that got stuck with more political appointees?

Shalala: Oh, yes, Commerce got stuck a lot. They took a lot of people. HUD took some people. Everybody took people. State didn't, Treasury didn't, because they were a little more protected. Justice didn't take as many, some, the number two job certainly. I took none that I didn't want. I took people from the campaign, but I didn't take anyone I didn't want—ever—ever.

Riley: Did you ever reach the conclusion that there were your colleagues in the Cabinet who were overmatched by the position that they were assigned?

Shalala: No, not really. Some of them were challenged. Mostly it was issues that came up in which all of us would have had trouble. I thought it was a very competent Cabinet and we certainly supported each other. I thought there were some people the White House didn't like much because they didn't consider them team players. There was always that kind of game. But I thought that basically the Cabinet was very competent.

I thought Janet had the most trouble because she didn't have a personal relationship with anyone in the White House. She hadn't come out of the campaign. She was the only one the rest of us didn't know, and her personal style didn't lend itself to walking over there and schmoozing. I gave advice to a bunch of people. I said, "When you go over to the White House for a meeting, stay around afterwards to just walk along and talk to people, to schmooze them up. Get to know them." There were a lot of people I didn't know. I didn't know Stephanopoulos. I didn't know a lot of the other people. I'd stop and just talk to them and have a conversation. I was one of the few people who knew Dick Morris, because I'd known him in New York when he was a kid.

Riley: Who did you deal with most often in the White House? What was your contact point?

Shalala: I dealt with the White House Chief of Staff, I dealt with the Domestic Policy staff but I didn't—it was mostly my deputies that dealt with them. They knew them, they had relationships with them. Bruce Reed had an excellent relationship with David Ellwood and with Kevin Thurm. Mostly I dealt with other Cabinet officers. When I had to I would deal—there were lots of staff people who were very able over there at the White House. My people, particularly our legislative staff and our substantive staff, had excellent relationships with them.

Riley: But you had indicated that you should have been tipped off during the transition that there was going to—

Shalala: But no one was that well organized to tip them off. Once we got going, because Kevin Thurm came over and lots of the others knew people at the White House, it worked pretty

smoothly and Kevin's job was the White House liaison job. He came over first as chief of staff. He was critical to making all this work.

Riley: How long did it take the White House to get its sea legs?

Shalala: Well, we got dumped into the healthcare stuff. So it took us a couple of years to get organized. Meanwhile, we were moving legislation. We were getting things done. We were getting a lot done.

Riley: Were you in the very early, say the first half of 1993, the discussions over the first budget?

Shalala: Yes, but it was pretty much—remember you had Leon Panetta and Alice Rivlin, and we scrambled to get into the budget. We didn't get enough into the budget at that time. After that I got everything—if I didn't get what I wanted I appealed to the President every single year and got more as a result. I went to the Hill and did better. They knew I was going to do better on the Hill, so they would sometimes scrimp a little on things. We got good budgets during the time I was there. We'd fight—the budget directors used to laugh because I was—before they put the budget to bed, I was standing around their office seeing if they had a few bucks left for other things.

They'll all tell you that they saw me, that I was always collecting the last few bucks—or they were pushing me around saying, "You have to appeal everything to the President." I'd say fine, and I'd go appeal to the President. He'd say, "Why didn't you give her that?"

Riley: Did you ever catch any heat from the White House for going up to the Hill and, as you say, doing better there?

Shalala: We had pretty sophisticated budget directors. Sure, I'd catch a little flak, but it wasn't as programmatic as that. It was always extra dollars for something like NIH. They knew I was going to get more money. Mostly they'd get a little mad at some of my Assistant Secretaries or an agency director about that. We kept in pretty close touch. I think that I had very good people as Assistant Secretary for Legislation who had excellent relationships with the White House who had also been on the budget side on the Hill. So they knew when we were pushing along the edges. Did Mack McLarty ever pick up the phone and call me about a budget? Early on I think once.

But one time I did something so stupid. Someone asked me on April 15 whether we had ever discussed a value added tax and I said yes. I was somewhere in Ohio, campaigning with some Congressman who became Governor actually. Mack took me to the woodshed over that. We laughed about it years later. But it was just stupid. I answered the question honestly, and April 15—tax day—is the wrong day to be answering that question. It was just dumb. There weren't that many missteps, there were some.

The President would read the front page of the paper and see something about abortion and wouldn't like it much. He'd get mad at HCFA every once in a while. Would they get irritated? I

think that they pretty much thought we were team players. We had a good staff and we kept good relationships.

Riley: There's one story that has come up in other discussions that was a little problematic. That was the needle exchange. That comes much later.

Shalala: I thought it was a brilliant move on our part.

Riley: Tell us your story on that.

Shalala: My story is that I knew the drug czar was working on Clinton on that one, but I didn't think he was going to be the influence. I thought the problem was going to be politics because we were going to go into mid-year elections.

Riley: Was this '98?

Shalala: Yes. I had Gore and Clinton convinced that needle exchange—and I tried to box them in by getting every scientific head of every agency to sign off on needle exchange. So I had the Surgeon General and the head of the National Institutes of Health and the head of the FDA and the Assistant Secretary for Health. I had every major figure in HHS sign off on a memo to me that said needle exchanges work in the context of a good public health strategy. But we drafted two press releases because I wasn't sure what the President was going to do.

At the last minute one of Clinton's staff people called over and said, "He's not going to do it. He doesn't want her to do it." The issue was not the science, the issue was whether CDC [Centers for Disease Control] was going to make it an eligible activity for CDC money that was going to the states and eventually the local government, which the President had the right to determine. It was a policy issue.

So they called Kevin Thurm. Kevin came in and said, "Uh, the White House wants you to say it needs more study." I said, "We're not going to say it needs more study. We got this thing, we're going to release it. I'm happy to defend the President's position to make this decision, but I'm not going to pretend the science isn't there." So it was the best of both worlds. It was, for me, saying, "The science is there, we don't need any more studies, this is it. But the President has the right to decide whether he's going to let the federal government do it or not." So I made it totally political. I had the scientists there and I said, "You guys just tell the truth. Don't you dare go political on me and defend the President's position. My job is to defend the President's position, your job is to say what the science says." So that's what we did.

Did they reverse their position? I think we were very worried about them from the beginning. Years later Clinton said to me, it was actually a call from [Thomas] Daschle and from [Richard] Gephardt—the two of them were very nervous about the needle exchange issue. That didn't surprise me. Everybody thought it was the President's drug czar. I never thought it was him. I thought it was the politics on the Hill. Clinton insisted it was the politics on the Hill, it was not the drug czar who had been off traveling with him in Latin America. His argument was silly, that we were going to be supporting drug use. That was kind of a silly argument. I didn't think that

was going to win. I thought the politics was going to win. I didn't think the Democrats wanted that issue in ads against them.

We just sort of messed it up. I don't think the White House was very happy. In fact, I know they were unhappy with my position, but I said, "Look, I'll defend the President's position but I'm not going to pretend the science isn't there." So that's how we ended up. Were they mad at me for very long? Two seconds. Two seconds. Does it mean they didn't trust me after that? No, it didn't have anything to do with it. It was a minor issue among major issues.

Martin: We should probably head down the road of healthcare.

Riley: Yes, absolutely.

Martin: We had earlier talked about the decisions behind the task force and you make some public comments, or at least they wind up in John Harris's book at some point, that we didn't have a public consensus on the solutions. That people agreed there were some problems, but were there discussions about how to get a public consensus?

Shalala: I thought we read the public correctly, there was a problem. Clinton read it and felt it during the course of the campaign and therefore it was correct to pick the healthcare issue. It's just if you look at the history of social policy and how the politics was put together— In fact, I just gave this question to my students, I teach the Politics and Economics of Health at the university. The only time we've been able to do it, Medicare, Social Security, is when there has been agreement on both the problem and the definition of the problem and the way to characterize the problem, as well as the solution. If you remember, Franklin Roosevelt thought about this and eventually ended up in a compromise on Social Security, but there was no private sector alternative to Social Security. They had tried the states. They had tried some private insurance schemes, none of them had worked. So it was an agreement.

The same thing with Medicare. The insurance companies didn't want to insure seniors. They were too high risk. So it really was a government role. We don't have that consensus on the solution. The socialized medicine that ran from the Roosevelt era when he wanted to bring it up, right through the [Lyndon] Johnson era on Medicare and Medicaid, it was still there in American politics. It's one of those streams, very much like [Thomas] Jefferson's anti-city. It's one of those streams in American politics. It was very clear to me that it was building the consensus for a solution that was the challenge, not the definition of the problem.

Every American, in every poll, you see it in the polls now. If a candidate misreads that as this is the time to do it, it's number two in the polls, as it was in 1992, right now, that's where it is. But it doesn't mean that everybody has good healthcare, wants us to do something about that healthcare. So my argument was we've read the problem, we didn't read the solution. What we did was build a negative coalition. Everybody who had a problem with the Clinton healthcare plan got together, and the negative consensus developed when what we needed was a positive consensus. That's why you go to the Hill and see if you can find the center someplace. That's what we did on privacy regs, which was a huge step forward.

Martin: This is the HIPAA [Health Insurance Portability and Accountability Act] rules?

Shalala: Yes, we watched the Congressional debate. We found the center. On the privacy rules, even when Tommy Thompson went to the President of the United States and said, "I want these changes on the HIPAA rules," the President said, "I'm *for* privacy." So unless you've got a consensus among all the elements for that change— On one thing they did change, the AMA had to reverse their position, which would have been all right with me if they had had that position in the first place. But nothing else changed, which meant that we found the consensus. With everything everybody can say about the HIPAA rules, they work and we found the consensus. We didn't have that on healthcare reform. Just didn't have that. I knew it. I thought the process we put together was not going to get us there.

Riley: That was basically my question. Part of that is a process problem. If you believe that getting to a consensus on the solution was a doable proposition. Do you think that's correct? At that time in '93 and '94, was getting to a consensus on the solution a doable proposition if you'd done it the right way?

Shalala: Yes, I thought so. I thought if we left people who had health insurance alone and worried about those who didn't or were underinsured, there was a chance. I also would have done it differently. I would have done it the way we did welfare reform. We put out 40 waivers the first couple of years. We learned a lot out there. I would use the states as the laboratories. If I were Secretary right now, I'd be out there giving out waivers to the states to cover their uninsured and see where the consensus is. You may end up for a few years with a state solution, that the federal government puts their money into the states and lets the states figure out how to do it. It's not Massachusetts that's important, it's California. It's some of the bigger states.

We did that a little bit with a waiver for Oregon. I thought we were going to start down that road. The problem is, the President wanted to do the whole thing all at once, as opposed to doing the experiments. I came from Wisconsin and New York. I believed in the states as the great places to experiment with social and health policy. So I would have used the waiver process. I thought we were skillful enough and knowledgeable enough about state government to do that. That's what I would do now. Then we could say something to Congress about what was working out there and what wasn't working out there. I would have probably started with that.

We started with Oregon. I overruled my own staff on Oregon. I said, "Too many of you guys came from Washington. You've got to look at it from the other direction." I'd learned that in the Carter administration. Secretaries Moon Landrieu and Pat Harris looked at the world completely differently. The states were the natural places to try these things.

Riley: Which made you a natural constituent of the President who had been a Governor.

Shalala: Exactly. So he did the opposite of what I thought he would do and that is, as a Governor, I thought he should have been more interested in the states as laboratories. But he decided to do a highly centralized process from Washington, a Washington policy-making process. I looked at it differently. I looked at federalism—I thought the way he did, and certainly he did on welfare reform. But it didn't carry over to healthcare because healthcare was not a

natural state subject other than Medicaid. He just thought about it in terms of Medicaid, not in terms of other kinds of things we could do.

Riley: Why do you think he did that? He's a very smart man with good political—

Shalala: Because he thought of healthcare and the role of the states only in Medicaid terms. He hadn't had as much experience with the private sector and healthcare, and therefore his experience was in welfare reform and in Medicaid. We were taking on the private sector at the same time, not just the public sector. I think if he had to do it over again and I explained this to him this way, he'd be out there. We'd be out fooling around with the states.

Riley: His experience in a strange way miscued him.

Shalala: Yes, but you know what? He was miscued because he thought he had the problem defined and therefore the solution would grow out of that, when it was a different politics. I wasn't very helpful. I was sort of confused at the time too in the sense that I had too much to do. I had my hands full at HHS. I didn't have as strong a personal relationship with him. He had a lot of people around him who were advising him on the health stuff. I didn't have anyone powerful enough at HHS. Judy Feder was a first-class policy person but didn't have a relationship with him. We couldn't get through the Ira–Hillary stuff. But if we had to do it over again, I would have run around the states. The next President, a Democrat, I'd say, "Go use your waiver authority with the states."

Of course, we also had these Washington types who didn't want to give any waivers to the states. I had to push them on the Medicaid waivers. Children's health insurance was a big breakthrough, but it was also a sign that in a state partnership with a big enough match you could get some things done. We have 5,000 kids on health insurance who didn't have it before. We should have—if we had gotten elected again, we would have gone to their parents. We were moving along, reducing that number. There were things we could do with states. You can see it now, just starting to think about coverage.

Riley: What exactly was your role in the healthcare piece?

Shalala: Well, there was a group of us who were supposed to be advising Mrs. Clinton, Cabinet officers plus the economic group. Judy Feder and my staff were providing a great deal of the staffing on it. We were obviously going to have to carry it on the Hill. So we were major players on policy development and working with the staff, but Ira was really the manager of the process. Everybody else was distancing themselves. Everybody who knew a lot about it, the economic team, people just were backing off because they were getting their hands slapped a little bit.

I hung in there as long as I could, warning Hillary when I could, trying to be a good soldier, largely because of personal loyalty to both Clintons. I also thought I would have to explain it eventually on the Hill. By the time it got to me for testimony it was pretty much dead.

Martin: One of the interesting things about this task force is that you create quite a complicated institution—

Shalala: Right.

Martin: Then the Hill basically does its own thing anyway. They don't seem to take this task force and—

Shalala: They had some Hill people who were following the process and trying to be loyal. Everybody was trying to be loyal. But it was too complicated. It was too complicated for me to explain it and I'm used to explaining complicated things. We just weren't ready to sell it. When I had to go to the Hill and explain it, we didn't have half the decisions made about what was in it. There was plenty. I was sounding like an idiot because I didn't know the answers to the questions. My staff who had worked on it didn't know the answers to the questions. I couldn't even turn around and say, "So what's the answer to that question?"

Martin: Who was helpful on the Hill?

Shalala: Everybody was trying to be helpful. Henry Waxman was trying to be helpful. Kennedy was trying to be helpful, [George] Mitchell was trying to be helpful. Moynihan wasn't particularly trying to be helpful, but everybody was trying to help us along there. Everybody wanted healthcare reform.

Martin: Does the White House, and you at this point, do you see the problems that are forming on Capitol Hill? For example, John Dingell can't get a bill out of the Commerce Committee?

Shalala: Yes, yes. And my legislative people were going crazy.

Martin: How does that affect your reading of what's happening?

Shalala: First of all, Hillary's father was dying and she was distracted. So the political management of this, everybody was scampering around. It was clear to me, when we had this huge package—even though Hillary testified brilliantly on the themes, not on the details but on the themes—that we were going to be in trouble, they were going to come at us. That negative coalition, everybody was going to find something they didn't like. I was answering too many detailed questions about what was supposed to have powerful momentum.

It started out with the President and Hillary, but boy, did we get slammed quick on this one. It was a classic failure and I take my share of responsibility for its failure.

Martin: But from a political science, public administration—

Shalala: It's fascinating, yes.

Martin: Why did this thing screw up so badly?

Shalala: It was partly thinking we knew how to do it. Remember, the Clintons had done these kinds of centralized things at the state level. It was just a different politics. Again, we read the

politics on the problem, we didn't read it on the solution. If we had stepped back and said, "How do you take these giant steps?" I think the leadership on the Hill was trying gently to tell the President. Everybody was trying to tell the President and the First Lady.

Martin: One of the questions out there, this thing drags on politically just getting beaten up all the way until right before the election. Why didn't they pull the plug earlier?

Shalala: Because the Hill didn't tell them to pull the plug earlier, because they still thought they had a chance to get it, and because we had a huge investment in it, a huge investment in it. And there were compromise bills being drafted.

Riley: There's a perception out there that this was a very closed process and you've talked about how Ira wanted to centralize things. But centralization and being closed are two different—

Shalala: It wasn't transparent, let's put it that way.

Riley: But from your perspective, was it closed or was it transparent, again being two different things?

Shalala: It wasn't transparent.

Riley: It was not transparent.

Shalala: It was not transparent, and decisions were being made on very complex things without a lot of participation by Cabinet people. My staff people certainly knew what was going on and they were scratching their heads. I kept sending them back in because I was not going to let the President down. I didn't want anyone to say that we hadn't given them all the support that they wanted. But everybody was saying it was going to be a disaster.

Riley: The more accurate picture then is that there were a limited number of people who were involved in making the ultimate decisions and it was not always clear what evidence they were basing—

Shalala: And meanwhile the Cabinet was *backing up*. Backing up. I didn't have the luxury of doing that. I could argue with Ira, but he was arrogant as all get out. I didn't have the luxury.

Riley: Right.

Martin: Are there people in the White House or at the Cabinet level who are telling the President, "This is going to fail"?

Shalala: Everybody. As far as I know, Laura Tyson, the whole OMB crew, Lloyd Bentsen, Bob Rubin. As far as I know, everybody is telling the President, including some of his closest staff people, that this is a problem. Whether he didn't want to hear or—I personally went to Hillary. The problem I had is that it always looked like turf fighting because I wasn't running the thing, so I had to be careful through this process. First of all, I didn't want to kill it, second I was trying

to be loyal at the same time. I thought the thing was crazy, not a political disaster as much as just nuts. I've never seen anything like it. I had never read anything like it in the literature. Even Defense Department policy wasn't made like that.

Riley: There was an effort to do a comprehensive energy plan in the Carter administration.

Shalala: Yes, which didn't go very far.

Riley: Exactly.

Shalala: We always try to do things like urban policy and stuff like that with a White House lead. I was used to that. Coordinated by the White House or by a lead department. Normally what you had was a lead department when you had a cross-cut, and everybody worked with that lead department on some kind of cross-cut. We did a lot of cross-cuts but not healthcare policy out of the White House.

Martin: After Mitchell basically calls it dead in October, there are some later movements on healthcare. The Rubin–[Carol] Rasco group that I think you were part of—

Shalala: Yes.

Martin: Can you talk a little bit about what—

Shalala: None of it got very far. In fact, what we did was start to pick off some incremental stuff—disability, children. We knew there were a bunch of things we wanted to do, so we started—the children's health insurance fund was a huge victory for us. We got all the kids immunized, which meant the kids were actually healthier. Even though they didn't have health insurance, we actually got all the kids in the country immunized. So by any measure, American kids were healthier when we left office because we got that immunization done without a universal healthcare plan.

Martin: Is it tough to sell incremental programs? In part because they're not as sexy or idealistic?

Shalala: In any other situation, these would not have been incremental. In the context of healthcare reform they were incremental. The idea of putting together a program that would eventually cover six million kids was a giant step in American public policy. But in the context of healthcare reform, of the earlier thing, it was very small. The idea of getting every kid in America immunized, actually bringing down the rates of disease that dramatically, would have been a giant step if we hadn't tried to do healthcare reform.

Martin: Your answer makes me think that politically trying for healthcare and then failing means everything else is benchmarked against that. So you have a hard time getting credit for the things that you actually are doing.

Shalala: Right. I didn't care about getting credit, I cared about getting it done.

Riley: What about political credit?

Shalala: We got children's health insurance implemented brilliantly. We got welfare reform implemented brilliantly once we got through the thing. But Clinton shared credit. The National Institutes of Health got doubled, and both parties got credit for it. At the end of the day, we did some incredible things in the healthcare area including major reforms of Medicare and Medicaid and major experiments all over the country. Compared to this administration—there's no comparison. We were an activist government doing lots of different things with the states.

Martin: The natural comparison case with healthcare is then welfare.

Shalala: Right. We did lots of experiments before we got into welfare reform.

Martin: Are you doing those experiments parallel?

Shalala: Yes, parallel.

Martin: So it's not as though you learned from healthcare.

Shalala: No, we're doing—first of all, we knew a lot already, there were already experiments going on around the country. We just expanded the numbers very quickly. I think there were 40 states by the time we got finished. So that we were learning lots—states were building some capacity for administering this kind of thing. The bill wasn't exactly what we wanted. In fact I helped talk Clinton into vetoing it twice, he wouldn't veto it the third time. That was where the debate was.

Everybody thinks that the department was opposed to welfare reform. We weren't at all. We just thought that the bill was a mess, with a lot of immigration stuff we didn't want. Clinton finally decided that politically he couldn't veto it again, even though all of us had recommended he veto it. Because we were improving it every time he was vetoing it. The Republicans were giving in after each veto.

Martin: Were there signals from the Hill that they would go a third round?

Shalala: Yes, absolutely. But Clinton always cut his deals a little earlier than I would have cut the deals and it was his right. Henry Cisneros and I both felt very strongly, as did Bob Rubin, that he should veto. There was only one member of the Cabinet, and he hadn't read the bill, who thought we should go ahead, and Bruce Reed, who thought we should go ahead. But like needle exchange it was straight politics.

Clinton talked me into staying the second term by saying, "I know I messed up on welfare, we've got to straighten it out, so you've got to stay so we can get a lot of that anti-immigration stuff out of it," which we did.

Riley: I want to ask you a little more about some of the experiments you were doing in welfare reform. Were there some that people ought to pay attention to as particularly valuable in terms of setting precedents and in terms of your own learning curve?

Shalala: The ones that combined job requirements with childcare with other kinds of support systems were the most interesting ones, and that kept people's health insurance when they went into the job. We were learning a lot about that kind of thing.

Martin: Wisconsin was a big experiment.

Shalala: Wisconsin was an example, but there were other places, Illinois and other places that were doing good things. The South, on childcare and other kinds of things, was really moving.

Riley: Did some of them press beyond your sensibilities?

Shalala: Yes, when the states wanted to contract out for the eligibility, I told the Governor of Texas, who is now the President of the United States, that he couldn't contract out for disability. That was one thing government workers had to do. I had some bottom lines.

Riley: Was that an area that the permanent government was difficult for you to deal with on in terms of welfare reform and waivers? You get the sense that there's a constituency interest there that—

Shalala: There was a constituency interest there. Marian Edelman was not happy with even our experiments. I think Mary Jo Bain and Peter Edelman were increasingly getting squeamish about it. David thought we should have a lot more childcare and I think housing assistance as part of the package. At the end of the day I think we did pretty well. We warned the President about things we should have warned him about. He decided to go ahead with it. Henry and I decided we weren't going to resign over welfare reform because we were going to make it right one way or another.

Riley: Sure.

Shalala: Remember, I had done Governor [Mario] Cuomo's welfare reform task force asking for exactly these kinds of things, turning it into a trampoline in which people basically bounced off welfare, not making it easy for people to go back into the system. So five years earlier I had sat on a task force, actually with Mary Jo, in which we came dangerously close to eliminating the entitlement—we were severely criticized for that report. We basically said that welfare should not be a permanent state of someone's existence. We should find a way to get people off and support them in jobs and that it was unfair to the working poor to have large numbers of people in their neighborhoods on welfare when they went to work every day, didn't have health insurance and other kinds of things.

So my philosophy was consistent with Clinton's. I did think there was a great danger with that bill in terms of creating a lot more poverty, particularly if there was a downturn. I wasn't sure we had enough childcare and healthcare and transportation. We corrected some of them, didn't

correct other things. I had to defend it before the American Sociological Association—that was actually fun.

Riley: Have you been surprised at how well it has—

Shalala: Yes, but exactly what I thought would happen. In a downturn, these people are laid off and they don't have enough healthcare support or childcare support. We still haven't put enough money for healthcare and childcare in particular in.

Martin: There's the Cabinet discussion where Clinton is deciding whether to veto the bill—

Shalala: Everybody told him to veto it.

Martin: What I'm getting to is, the story that I think is written in Harris's book again, is Bruce Reed is arguing basically a political argument. "You promised this on the campaign so you have to do this." You're arguing based on evidence and statistics and other scientific, neutral, factual information.

Shalala: Yes.

Martin: It seems similar to the story about needle exchange.

Shalala: Yes.

Martin: Is there a larger story about how Clinton makes decisions or how he's persuaded between evidence and politics?

Shalala: He tries to make decisions on evidence but shifts to politics when it's absolutely necessary. He really does like to make decisions on evidence and he lets the process go on. So you basically have a bill that is supported mostly by evidence. Then he cuts the deal too quickly instead of working it out. I thought he should let us go another round. We were begging for another round because we could have gotten some stuff out of that bill that eventually the Republicans were embarrassed by. Ninety-year-old immigrants without health insurance and stuff like that.

Riley: So that was the basic argument, whether in fact there was going to be factually another round.

Shalala: Yes.

Riley: The opposing side was saying, "This is the last crack."

Shalala: Exactly. "This is the last crack at it." We thought we should go another round.

Martin: When you present statistics and other things, evidence to President Clinton, does he understand?

Shalala: Absolutely he understands it. When we decided to go ahead on tobacco regulations, I won the debate on the substance as well as the politics. When you could integrate the politics as well as the substance—I was always arguing on our base. I thought tobacco was a bipartisan issue in which we could turn those guys into the bad guys. I also convinced him not to sign up with the attorneys general. In that case, it was a political argument. I said, "These guys are selling themselves down. That money is not going to be used for tobacco prevention, no one is going to use it for research" and I was right. They used it to fill out their budgets in that deal.

Meanwhile, we didn't join in that and we just beat up the tobacco companies. We were right in that case. So it was both politics and substance. There were people in the White House who had worked for Philip Morris [USA] who were arguing the opposite. In that case, Clinton and Gore let me at them, alone, to make the case. Ninety percent of the time I won. Ten percent of the time I lost, but it was as much the timing and the politics. But it was worth it. Shoot, you can't expect to win 100 percent of the time. But I never got stopped by White House staff. I always got stopped by the President. So I always got right to him.

Sometimes you go back in and fight another day. On the privacy regulations, Janet Reno stopped me from—she wanted any sheriff to be able to rifle through anyone's health records without a court order. I thought that was a terrible idea. I lost it. We had a change in the chief of staff. Her deputy left who was hot to trot on this issue. I went back in and argued the issue and won it. Sticking around for eight years made a difference. One way or another we'd figure out how to win these issues. The implementation of welfare reform, we could soften it because we controlled the implementation.

Martin: How did you do that?

Shalala: Accountability. You had to give them childcare, you had to make sure they kept their healthcare. So we made sure in the regulations that the elements of those bills held the states accountable in which we could measure what they were doing. So we got the second laugh on the thing.

Riley: Did you also go back to the Hill and get some—

Shalala: Yes, we went back to the Hill and got a whole set of changes, which they were willing to accept because they were under the radar by that time. We went back with a big bill with lots of changes.

Martin: They weren't just technical corrections—

Shalala: No, we called them technical corrections but—

Martin: Just for political cover?

Shalala: Political cover.

Riley: So if somebody wants to understand Clinton and welfare reform, you've got to look at what happens in the second term as well as the first—

Shalala: Exactly, and you've got to look at the implementation. The implementation, the power is in implementation. The visibility is in the policy making, but the power is in implementation.

Riley: Okay, cite a couple of those important implementation—

Shalala: Well, one was this, the other was the needle exchange where we actually educated local governments on needle exchange, through both the CDC and the NIH. We ran workshops. The other was children's health insurance. We just used the waiver process to get that done very quickly on the implementation. But we were geniuses at implementing. No one implemented as well or as strongly as we did.

Martin: How closely did the White House pay attention to the actual implementation, or did they?

Shalala: Zero, except if the President got a complaint from a Governor. Then he'd call, find out what we were up to, get an explanation, and call the Governor back and say, "They know what they're doing." He never undercut us with a Governor on implementation of major policy. He didn't like HCFA much because of his own experience with it. Sometimes on Medicaid he would push us a little to be more flexible with the states. I actually preferred to be more flexible. We had a whole constituency bearing down on us from the left that didn't want to be flexible on Medicaid.

Often I had to push my own people to do stuff that they weren't as enthusiastic about because it was almost a civil rights group that was protecting Medicaid. I understood their protection of Medicaid. They didn't want it block granted. Governor [Jeb] Bush in Florida, for example, wanted to get people out of institutions. We were big protectors of the nursing home industry. They were big donors to the party and Clinton. I thought they were awful. I was perfectly willing to help the Governor of Florida get people out of nursing homes into their own homes and community-based programs. I had come from Wisconsin where there are a lot of community-based programs.

I also believed in tort reform. Not something my party believed in. I didn't like testifying on it with the party's position. Because I was not a fan of trial lawyers. Clinton said I was the only Democrat he ever met who had these reverse positions on things. I was willing to support his position, but it wasn't necessarily my position. But we pushed the edges. Nancy-Ann Min DeParle was very different from Bruce Vladeck. She was the second HCFA Administrator. She had been a state official in the South, was much more interested in some of the things I was interested in. I love Bruce, and we had a great working relationship. He bailed out LA [Los Angeles] too many times. But Nancy-Ann was really more moderate, a Rhodes Scholar.

Martin: Can you give us any more sense of how the agency could work independently of, say, a hostile Congress to do the work of the President? Especially on trying to salvage welfare reform.

Shalala: I think the Congress was more moderate than you think. I think they wanted the victory, the Republicans wanted the victory with the President, but I think that on the actual implementation they rarely complained to us about how we were implementing. Every once in a while a Governor would complain to them, and we'd get a phone call. The Governor would work his delegation as well as ours. But mostly we were right.

We were right on Medicaid that was underfunded. But mostly we had an excellent working relationship, whether they were Republicans or Democrats. We would call the Republicans the same time we'd call the Democrats for an announcement of a new project. We administered the department in a bipartisan manner. There are rural, conservative Republicans who will tell you that when they came to us with a problem with one of their hospitals, we would practically break the law to help them. Because the hospital hadn't applied for the right program within the timeframe. We were very responsive.

You could talk to Pat Roberts. He had a little hospital that hadn't applied for something in the right timeframe. Everybody told me, "You can't do that. You can't do that because you'd be opening up Pandora's box." I said, "How many other hospitals didn't meet the timeframe?" "No one else." I said, "I'm making a rule just for this hospital." We saved a small rural hospital for him. We were very responsive to individual problems in Congress.

Their biggest problem was they had voted for the balanced budget and budget reform, and it was cutting into their nursing homes and home care. When I went back to them and showed them their speeches where I had objected to the cuts that they had made, they were sheepish. "Can't you help me on this one?" We did our best, and we had excellent relationships. Go talk to Grassley about me. He'll say, "There was never a better Secretary in terms of accountability or toughness and she treated me fairly."

Riley: I want to switch gears a little bit and ask you to tell us about the person who was the President of the United States that you got to know. One of the things we're trying to do is to understand this man, Bill Clinton. You've had a lot of interaction with him. Tell us about this person who was President.

Shalala: First of all, he was very smart, very smart, very interested in HHS and what we did. He was interested in welfare reform, he was interested in kids. He got interested in the National Institutes of Health once we got Varmus there. He developed a relationship with Francis Collins and Tony Fauci and Harold Varmus. He was a learner, inquisitive, always wanted to learn new subjects.

He also came with a kind of hard line about HCFA and the department on waivers and things. He thought we should be more supportive of the states. I didn't particularly have a problem on that. Some of my people did because they had come from the Washington establishment in terms of not letting the states have all the flexibility in the world. You couldn't make a distinction between the good Governors and the bad Governors. I always wanted to make a distinction, but it was hard to do. So he was interested—he wasn't himself particularly innovative. He was pretty dependent on us and on his White House staff to think of new ways to do things. He was very

focused on diseases and on other things. We did press conference after press conference on initiatives in a whole bunch of areas that weren't very widespread.

The big things that he was the proudest of, doubling the NIH budget, all the things we did on childcare, improvements in Head Start, children's health insurance, which was a huge benefit. Immunization on the healthcare side, the upgrading of the CDC. Saving money in Medicare. We actually had the most impact on slowing down the growth of Medicare on our fraud stuff. We did a lot on fraud stuff. He was just interested. He never stopped being interested in how you cover people for health insurance. He never stopped being interested in poor people, particularly in welfare. He was devoted to helping welfare recipients get jobs. He got all those corporations to come in and developed a lot of those coalitions. The White House did a lot of that kind of stuff, which was mostly PR [public relations], but it helped to change the image of the welfare recipient as someone who went to work. You don't hear a lot of that garbage anymore, because of welfare reform. He really, personally, invested in that.

He was fun to work with. I could always get access to him. Some of the best days were when you got to see him alone. During the shutdown of the government he had three hours and they called and said, "What do you want to do for those three hours?" I said, "I want to bring Fauci and Varmus and Helene Gayle, the experts on AIDS [Acquired Immune Deficiency Syndrome], and tell him where we are on AIDS internationally." So we spent three hours with him talking about AIDS. Gore came in and joined us at some point. Those were the best of times because he was just learning, as opposed to trying to figure out the interface between the politics—on my subject matters he really cared and we had a very good working relationship.

He thought I understood the politics as well as the substance. He didn't treat me like I was just some academic. He thought I was a very good politician because the Hill people would say that to him. "She can sell your program. She treats us fairly." He loved the idea that I was more of a centrist and I knew the Republicans as well as I did the Democrats and that I could work with a Dingell who was always a thorn in the President's side. Dingell would say, "She's a great woman, Mr. President, she really worked out my problem." Or a Republican would say to him, "Boy, your Secretary really helped us."

We couldn't solve all his problems with the Governors' conference, but he loved the Governors' conference. So I talked to Governors directly for him. The last thing we did was beat up a Governor together to protect a bunch of disabled kids in Louisiana. So we had great respect for each other. We played golf every once in a while.

Riley: What's it like playing golf with him?

Shalala: You wait for a lot of mulligans. I loved the President and I had a great relationship with him. I don't think my relationship with Hillary changed particularly. It was always a good relationship. She was busy in some ways, he was in Washington more. But I worked with her hard on things like Head Start and childcare and a lot of those issues.

Riley: Was this after the healthcare?

Shalala: After the healthcare. We just did one issue after another, really worked hard.

Riley: Did you get the sense that that jolted her self-confidence in any way?

Shalala: It took the wind out of her sails a little bit, but she never abandoned the children's issues, never abandoned them. Whether it was disease or Head Start or childcare, she was always in there, particularly on budget issues. I could go get her to help me on the budgets.

Riley: Did you travel much with them?

Shalala: I traveled with him more than I did with her. I traveled with Tipper [Gore] because we did mental health stuff during the end of the administration together. Most Cabinet members don't want to travel with the President and the First Lady because it's a lot of waiting around. There's not really a role for you. In healthcare reform I traveled with her a lot, we did a lot. I traveled with Gore quite a bit, particularly abroad.

Riley: What was that like?

Shalala: We went to Russia together. The Gore–[Viktor] Chernomyrdin stuff. I did a lot with the Health Minister of Russia. That was a lot of fun. But we went as a Cabinet—

Riley: The whole bunch?

Shalala: A bunch of us, five or six, there were always five or six of us going together. It was very collegial. None of the backbiting that I sensed in the Carter administration. They were really Clinton's people. That was really his Cabinet, people he had known and built—particularly those who stayed for the eight years. These were good working relationships.

Martin: You said science was a big chunk of your portfolio. What role did Gore play versus Clinton, especially since—

Shalala: It's interesting. Gore played on cancer and he certainly was interested in the science stuff. He was more interested in the physical sciences and the environment. So he worked a lot more with the EPA [Environmental Protection Agency] people and the National Science Foundation. He worked with me on cancer. We did a lot of cancer certainly during the end of the administration. But Clinton actually was more involved with NIH than Gore was. Gore really is interested in the technology side, more in physics and engineering and technology than in basic science.

Riley: How would you compare the two of them in terms of their intellect and the way they dealt with issues?

Shalala: They're very different intellects. Gore is more academic, Clinton is more instinctive but substantively brilliant. He knows how to put things together with the politics, he gets his arms around it. He's more comfortable once he learns a subject, has more fun with it.

Riley: He'd be a good professor?

Shalala: He'd be a good professor.

Riley: Is he disciplined?

Shalala: No. But he's disciplined enough to read a lot and to learn subjects. He's not disciplined in terms of organization, he needs a staff around him. But in terms of learning subjects and reading books and reading the stuff you send to him, you didn't have to send him a one-pager. Gore was more like an academic and knew the subjects he was interested in.

Martin: More in depth than Clinton?

Shalala: There weren't a lot of subjects Clinton didn't fully understand. He just had a different set of subjects he was interested in.

Martin: Can we dial back a little bit? Since you're there for eight years, you get two years of a Democratic House and then six years of a Newt Gingrich-led House and then Gingrich resigns in '98. Can you talk—especially, your bills that become the policy vehicle for a lot of conservative legislation.

Shalala: Right.

Martin: Can you talk about how you managed that?

Shalala: First of all, I had good relationships with the Republicans built up over the first two years. It was seamless in terms of switching, in terms of the chairmen. In many ways the Democrats were more micro-managers than the Republicans were. And the Republicans who took over our key committees weren't very right wing. Only on the big bills did we have to scramble and use the President's muscle. All the other stuff we could build a bipartisan consensus. We built it even on things like—with Bill Frist and Ted Kennedy on things like the reauthorization of the Food and Drug Administration. There were things in the bill, like advertising for pharmaceuticals, that I hated but Kennedy agreed to that.

We did some tobacco legislation. We certainly did some Social Security stuff and some Medicare stuff, but mostly it was bipartisan, despite the fact that Gingrich was getting all this right wing stuff. That was mostly publicity. We worked pretty well together and worked our way through. The closing down of the government was a huge political mistake by them.

Martin: Can you talk about the politics leading up to that, how you saw that coming down?

Shalala: It was coming down the pike and they were looking for a clash in which they could define themselves. I was surprised they did that. They couldn't have done anything that would turn people off more. I thought it was the original amateur hour and we played it for everything. We won that, that theatre. In our departments we used it as an opportunity for team building.

We did some really interesting things during that time. First of all, we wrote to all our employees and told them to hang in there. Then we kept talking about our employees on television so they thought we were out there fighting for them. I had all the second-level managers calling all the employees telling them it was going to be all right. We had a lot of employees who were scared to death that they were going to get fired.

Then, of course, we didn't have the money to pay their salaries and we had a big problem going into Christmas. They were going to get a paycheck in which they got like a quarter of their salaries. We were sitting there, talking with my senior staff. I was looking at someone's pay stub and I said, "Do we have to take these deductions out?" Harriet Rabb, the general counsel, said, "I don't know, let me go check." It turned out we didn't. So our employees got their checks. I e-mailed all the other members of the Cabinet. None of them did what we did. Our employees thought we were the cat's meow. They were the only ones in their neighborhoods with their full checks. How had we done it? We hadn't taken the deductions out. So when we got the money, we took the deductions out and we were fine. We were just fine.

Martin: Was it a consensus going into this that the Republicans were making a mistake or—

Shalala: Yes. Absolutely. Absolutely.

Martin: There wasn't worry in the White House that this was going to backfire?

Riley: Let me ask you the other question. Was there worry among members of the Cabinet that the President was going to cave on some of this? You've said a couple of times before that the President likes to—

Shalala: I think he read this as a mistake on their part. I think his state government experience, I think he read the politics, the broader politics. Certainly we had a PR campaign taking advantage of it, these poor civil servants all over the country, and we had them all over the television. No, I think he read it pretty well as being dangerous to government.

Riley: Were there other instances where you felt you might be in danger of the President cutting the deal too early?

Shalala: Where he cut the legs from under us? Always on the budget, it was always a budget issue. When were we going to get—we'd better get everything we were going to get because the deal is going to get cut in the middle of the night, particularly when they took over.

Riley: They being the Republicans.

Shalala: Yes. But you know, we had some pretty good Chiefs of Staff then that knew the Hill. They always cut the deal too early for me, because I was always going to get more stuff.

Riley: You mentioned this a couple of times. Give us your assessment. Were you able to track differences in how the White House was functioning with the different Chiefs of Staff?

Shalala: Yes, it really was different in terms of the Hill relationships and what we could do in the White House.

Riley: You started with Mack McLarty.

Shalala: They were all excellent, thoughtful men. For me, John Podesta was excellent because he didn't have an iron in the fire, he didn't have a strong view on anything but fundamental rights. But he had good values and a good sense of ethics. I never worried too much about the White House. I would have worried more about the Carter White House because I couldn't get to the President. They knew that if I appealed to the President, it was likely I was going to win, particularly on the budget stuff. So they would mostly cut a deal with us pretty soon. But we usually could work the White House before we got to Podesta. Very rarely did we have to go to the Chief of Staff to solve an issue. The White House staff was so accommodating. Often, it was us against the world with them. They wanted to be accommodating. They wanted to work—at least with my agency. I didn't have a problem with them running over us. They did not want me to be unhappy. They had relationships where they were going to try to work it out.

Riley: You mentioned working with the Chiefs of Staff. There is a question about the other contacts in the White House. There is an Office of Cabinet Affairs. Was there much interaction with the people who were in that position?

Shalala: Not with me personally. I certainly knew Podesta when he had that job and I knew all the others who had that job. But with my staff certainly.

Riley: I guess the same would have been true with either Carol Rasco or Bruce Reed as the Domestic Policy person.

Shalala: Yes, and we had good working relationships.

Riley: Was there much interaction with the NEC [National Economic Council] people?

Shalala: I had a lot of contact with them because of AIDS and disasters. I actually eventually put a health attaché right in the NSC [National Security Council], working with them because the President wanted to put all sorts of health things on his G7 [Group of 7] negotiations.

Riley: What about the NEC?

Shalala: Oh, the National Economic Council. Oh, yes, we were in meetings with them all the time.

Riley: But you were saying—

Shalala: With the National Security Agency, I also had a lot of contact. I had contact with the CIA [Central Intelligence Agency] and with the Defense Department on Agent Orange and on Surgeon General issues. Assistant Secretary Bernie Rostker was the personnel person, and he and John Callahan and I had all been in graduate school together so we—and Bill Perry was very

good to work with. So we had a lot of cross-Cabinet— I also ran the Combined Federal Campaign, the big campaign to raise money for United Way four years in a row, so I knew all the Cabinet people.

Riley: Who was your best producer?

Shalala: The CIA and the Navy, they were spectacular.

Riley: I've got a bunch of questions that are sorts of odds and ends. You indicated that when you came back to D.C. you were very comfortable there because you had—

Shalala: Socially, I had lots of friends there.

Riley: You had friends in the establishment. There's a sense that the permanent Washington establishment was not very friendly or receptive to the Clintons when they first came in in '93.

Shalala: I think the Clintons were wary about coming into the social scene so that they didn't—Mrs. Graham had a dinner for them, but they didn't do a lot when they first came. They were going to be all about business. They didn't slide in the way the [Ronald and Nancy] Reagans had or others had. Therefore, there always was going to be some of that. But there were a handful of Cabinet people—Bob Rubin was one and myself, Mack McLarty did a terrific job, and he was everyplace—who fit nicely into the Washington social scene. It made a difference for the quality of our lives here. But it was not the President and the First Lady particularly.

Riley: Did that in any way damage their ability to deal with Washington on issues?

Shalala: A lot of people said it did. I'm not so sure. I think you deal with people from a position of power. Would it have made their press a little better? Yes, probably. But I think they knew what they were doing.

Riley: Did you deal with the press a lot?

Shalala: I did.

Riley: Did you have carte blanche or did you have to clear—

Shalala: I never cleared. I think my press staff coordinated with the White House when we were moving major bills through. Melissa Skolfield was the Assistant Secretary, she's now the vice president of communications at Brookings [Institution]. She went to work for Nancy Pelosi for a while. She had worked for [Dale] Bumpers. She was a southerner, didn't come from Arkansas, but she knew the Arkansas people. She coordinated on every policy issue. We integrated our communication staff into the policy issues. They were there from the beginning. Every once in a while they had to scamper. Someone broke something and they'd have to scamper around.

Riley: Did you do a lot of Sunday morning talk shows?

Shalala: I did, sometimes on issues I didn't want to talk about, like partial birth abortion, which I didn't know anything about and my office didn't know anything about. That came out of the White House.

Riley: They would call you and say, "Would you do this?"

Shalala: Me and Henry, the Catholics. That was one of the stupidest things that the administration did. It didn't have anything to do with HHS, it had to do with their abortion politics, not with us. We didn't know anything about it until they had a press conference on it. My advice would have been not to get into it.

Riley: You did a lot of writing.

Shalala: I did.

Riley: There were a lot of op-ed type things. Did you do that yourself?

Shalala: Yes, most of it myself. It made me uncomfortable as an academic—if I got a lot of help from someone, I don't list it on my résumé. I still don't. One day they were going through clearance on the thing and the FBI [Federal Bureau of Investigation] said, "You have a lot of stuff that's not on your résumé." I said, "Well, I could give it to you but I didn't really write it. My name's on it but I didn't write it, and academics don't put things on their résumés—"

They said, "But your name is on it." I said, "I didn't write it so I don't put it on my academic résumé." They didn't understand. They thought there was something wrong with the subject matter. You understand that.

Martin: That you were hiding something from them.

Shalala: Yes. But I have to keep a separate list of what my name's on from what I actually put on my résumé. If you look at my résumé, it doesn't have a lot of this stuff.

Riley: So the op-ed pieces you did get a lot of help on?

Shalala: Some of them but not others. I would do the final writing on the thing. Your speechwriters would often do some of that kind of stuff. But I would be very careful about whether I had it on my résumé or not. If it's listed on my résumé, I actually did it from beginning to end myself. It's just a hang-up I had. I'm sure no one else has these hang-ups.

Riley: It's one of those problems that most of the rest of us don't have. It's fairly easy, if you're looking from the outside, to track the first term of the Clinton administration, especially in your issue areas because of the problems of healthcare and welfare. It's less easy to do that with the second term because—I guess I'll just throw out a general question about—

Shalala: Except tobacco, FDA reform, children's health insurance. If you look second term, there were huge jumps in things. No, it was quieter because the White House was distracted by

Monica Lewinsky. It was quieter and far more effective. That's when we doubled the NIH budget, that's when we had the breakthrough into the human genome and then cancer. But it's less big policy stuff than it is more incremental, more settling in. It was a much more exciting time from the point of view of getting things done, making a difference, a measurable difference.

Riley: Do you attribute that to the fact that you've got open sailing because the White House is preoccupied?

Shalala: Some of it is actually that, and also we didn't have control of Congress and therefore we had to do a lot of bipartisan work to get things done.

Riley: So divided government, in some respects, worked better than unified government.

Shalala: It works except when you're trying to study what we did.

Riley: Okay.

Shalala: Because it's harder to pin down.

Riley: Exactly, the timeline doesn't naturally flow in the way that it does for the first term. You've mentioned tobacco a couple of times. Give us your take on the tobacco story.

Shalala: There were two major initiatives second term, one was tobacco, the other was the privacy regulations, which changed the country forever. We now have fewer kids smoking than we did then, fewer people smoking. We turned them into bad guys and we did it by being unsuccessful. We proposed a series of regulations that got knocked down by the Supreme Court and we lost the case. But it was a huge effort that lost because we didn't have the jurisdiction, they basically said to Congress. By the time we were finished, the Republicans weren't defending the tobacco industry. You can't find anyone to defend the tobacco industry. When we started it was a different kettle of fish. More importantly, there were people in the White House who had worked for Philip Morris. It was a very dangerous period because senior White House staff had worked for Philip Morris. They were consultants for Philip Morris. They should have recused themselves. It was actually the President and the Vice President who decided we would go ahead on that. That was *huge*, huge.

The privacy regulations were *huge*. Changed healthcare forever. We found the consensus and even though everybody jumped up and down, we got thousands of comments on it, we got them done. We got them done.

Martin: Could you try and put that as a process because my recollection of this is it was a long, involved problem.

Shalala: The reason it was, Congress passed a law that said if by 1998, I think it was, we have not written the privacy regulations, the Secretary of HHS must do them. So we watched the debate in Congress and they couldn't get them done. Finally, in 1998, I said to my guys, "Hey, I think we'd better start writing." They said, "You're kidding." I said, "No, you've been

monitoring it." So we went up on the Hill and interviewed everybody and took some polls and started writing.

Martin: Were folks on the Hill happy for you to take it over?

Shalala: Yes, Senator Grassley wanted us to do it. Actually they wanted us to do it. They didn't think we'd get it done without controversy but we got it done, basically had their support, minor changes by the next administration, which meant that we got them right. It was a lot of hard work. We started with principles, you would have loved the process. In fact the process is a great case study. We started with a big group of people talking about what the principles were. So we built a policy agenda based on principles. The principle was very simple. Healthcare records ought to be used for healthcare purposes, period.

Based on that, we wrote regulations for the entire healthcare industry. There were no federal protections. There were more federal protections on your Blockbuster [Inc.] card than there were on your healthcare card. Now there is a set of federal regulations. Some states had good regulations but not all of them. Now we have a federal framework for privacy, which works. And it was done by regulation, not by policy.

Martin: That's the interesting part of it.

Shalala: Here was a major policy initiative, very much like immunization though we needed some legislation for immunization because we needed the vaccines, in which an active administration shaped a major piece of policy when it was ready to be shaped because Congress had worked and worked on it and couldn't get it done. But we found the consensus and then took the final steps.

Martin: Do you have any sense why Congress couldn't get it done versus you were able to get it done?

Shalala: Yes, they just weren't willing to bite the bullet and vote on it. The industry really didn't want it done.

Martin: So this is a way for them to duck accountability in some ways.

Shalala: Yes, but socialized medicine, the themes of that, of government shouldn't control the healthcare industry. Therefore they just couldn't get it done, where we could. I think it was an afterthought to say the Secretary ought to write them. Now they could have overturned them, but they couldn't get the vote to overturn them. When you get the authorization for regulations like that, Congress has a period of time in which they could overturn them, but we didn't think they were going to overturn them. They actually liked them.

Martin: To some degree, it's well-crafted legislation that protects Congress from all that.

Shalala: Exactly. And that's an example of what happens. You stay for eight years, you have the relationship. You have a first-rate staff. You can make major policy. That had to go through the

White House because they controlled the reg process, or part of OMB does. We had to fight our way through that and eventually to the Chief of Staff over the issue of court orders. But my IG helped me there because she said, "I have to issue something to protect the doctor if I'm going to look at a record." We didn't have any problem about hot pursuit, which was their major example. Someone rapes someone, I didn't have any problem about someone running to an emergency room and seeing whether someone had gotten scratched or something and had come in. But now they've got to do something. We also wanted criminal penalties on them, which we had to fight for. Congress didn't change them, the next administration didn't change them.

Martin: They're so complicated as well.

Shalala: Yes, they're complicated. Exactly. But with the stakeholders, we found the right place. Every once in a while you get to do something like that. This is as important as anything we did.

Riley: Was there anything in the second-term agenda that you had hoped you'd be able to accomplish that you didn't get done?

Shalala: Yes, I wanted to cover the parents of the children, the low-income working kids. I really wanted low-income working families to have health insurance, and we didn't have the money to do it. The White House just was not going to do it. We could do it by waiver, but we couldn't put enough money into the system. That would have been a Gore first-term initiative. I really wanted to do that. That was the final piece of healthcare reform. That was the piece we really needed for healthcare reform. We needed to cover everybody.

Riley: One of the broad questions we had proposed that we wanted to talk about was this general question about women in politics during the Clinton years. I'm not really sure even how to phrase the question other than to just ask. Did you notice a difference in the way that women were treated in Washington from the Carter to the Clinton?

Shalala: Yes. I did. Even though Carter made a tremendous effort to get women. When I went to the Hill with a male staff person as an Assistant Secretary, they would talk to him. By the time I came back, there were so many women on Congressional staffs and in the Clinton White House that it wasn't that much of an issue. There's still an old boys' club, and even Clinton himself is a kind of macho guy. The fact that I liked sports and had had a football team and played golf made a big difference with him. I got invited over to watch the Super Bowl. But there were enough women.

I remember the first Cabinet meeting. We looked around. There were all these women in the Cabinet. It was like there was a revolution. We just giggled. It was just—the guys were feminists too. They had different attitudes. Bruce Babbitt had a professional wife, Henry Cisneros. These people—the men in the Cabinet had different attitudes. I think Lloyd was probably an old-fashioned kind of guy, he's certainly courteous, but they just didn't have those kinds of hangups. They didn't smoke cigars and go off into the back room. The political people did it more than—and Hillary, of course, was powerful. So they had to be careful about all these issues. And they had this huge women's constituency.

The first thing we did was executive orders to reverse a whole bunch of things and put in place the Family Leave Act. We did all sorts of stuff, and reverse all the abortion decisions, the gag rule and everything else. Those were the first things Clinton did. So it was a different feel.

Martin: Running into the '96 campaign, women were clearly targeted.

Shalala: But I had been chancellor of the University of Wisconsin at Madison. I was the first woman to run a big-time research university, so I was over that hurdle by the time I got there.

Riley: Were there meetings of the women members of the Cabinet?

Shalala: We had dinner before the State of the Union meetings. Did we have separate meetings? Every once in a while we'd have dinner. Madeleine would invite us all over for dinner or something. We certainly had good personal relationships. Janet was a little bit of a loner, but Alice Rivlin and I would drag her off to dinner every once in a while. But that was her personal style, not anything else. Everybody else was kind of a political operative.

Riley: What would be on the agenda for these meetings?

Shalala: We'd talk about the guys.

Riley: That's what we want to know.

Shalala: It wasn't substantive, it was personal. Everybody would tell funny stories about something that had happened to them.

Riley: Was there an effort, a conscious or organized effort to network and bring up younger women?

Shalala: We did that in the Carter administration big time. The [Greater] Washington Women's Network. We used to have big meetings of all the top women in the administration during the Carter administration. By the time we got to the Clinton administration, there were so many women it almost wasn't necessary anymore, and all of us had appointed women to senior positions. You couldn't go to the President with an all white-male list. That was silly with this President. All of us had women in top positions. The Carter administration we were extremely well organized. We used to have these big cocktail parties, sponsored by the women Assistant Secretaries for the most part, not as much the women Cabinet members. Juanita Krebs and Pat Harris worked part of that.

Below that level, lots of women at the Assistant Secretary level, we'd have cocktails and help each other get jobs. By the time we got to Clinton it wasn't necessary, it really wasn't necessary.

Riley: So the absence of a network is the sign of success.

Shalala: There were networks in the town, but the absence of an organized one by the women was a sign of success.

Riley: Do you remember any instances where you felt like either you were at a disadvantage because you were a woman during the time you were Secretary or where you felt like if that had been a guy, that wouldn't have been a problem?

Shalala: I felt that a little with Janet every once in a while, the way that she was treated by the Clinton White House. It was hard to tell whether it was her personality and the fact she wasn't a networker, but I felt sorry for her. That's why I personally reached out to her because she wasn't as much of a political animal as the rest of us were, or as familiar with Washington, how Washington worked. The answer is no, because I had power. They don't mess with you when you have power.

Riley: I heard occasionally, in talking with people, that this was more an issue I think inside the White House staff.

Shalala: Yes, apparently there was, because there was really a "guys' club" inside the White House staff. But it was mostly people who had worked on the campaign together.

Riley: Right.

Shalala: There weren't a lot of women who had been on the campaign trail except for Dee Dee Myers. Carol Rasco was a friend from Arkansas, so there wasn't as much—Evelyn [Lieberman] and some of the other people were Hillary's friends who came with her. So it was probably more of a White House—but I have to tell you, the White House staff treated me with great respect and with deference and didn't try to mess around. Then I had all these guys working for me who had worked on the campaign and were their buddies. If anything, they bent over backwards to make sure we were successful over at HHS.

Riley: Okay.

Martin: You mentioned early on looking to the future and making sure there were photocopies of your documents so that they could be placed in the archives and whatnot. What do you do to close down an administration?

Shalala: The first thing you do is not let anyone sign anything in the last six months, because at the end of an administration everyone is trying to get favors. I was scared to death at the end of the administration. People were calling, big donors were calling for favors. So I just didn't let anyone sign anything. It all had to come to me. If the White House wanted something, it had to come to me. I thought it was a very dangerous period.

We were closing down because I wasn't staying. There was not a chance I was staying with Gore. I had already taken the University of Miami presidency, I was leaving Washington. I had done my tours. Even though Gore would have asked me to stay, I just was not going to stay any longer in Washington.

I thought about two things, number one, getting everybody a job and making sure they were all placed because I had seen the end of administrations. So I systematically met with every single one of the political appointees who needed help, whether it was for graduate school—and got them focused and said, "Don't worry if you're leaving two months early, you've got to get focused on getting out of here." We were getting out of here in January, so I wanted a lot of them to leave during the summer and get going. By the time I left, everybody who wanted a job had a job. There were a lot of people who wanted to go off to Europe or something else, but they'd call me later and I helped to get them placed or into graduate school.

The second thing I did was the legacy. That is, I knew that I'd want to write this stuff at some point. We had gotten notice about the National Archives and I said, "We'd better start making copies." My secretaries looked at me like—I said, "We'll just put staff on and make copies of everything so that we have three sets." I take a set, we send a set to the Clinton Library, and we check to see whether it was legal to make those copies. The answer was yes. We'd send a set to the National Archives. So that's what we did.

Riley: Were you in any way reluctant to keep written records?

Shalala: Yes, we didn't keep any. I didn't write any. You'll find a lot of memos, but I didn't keep notes. In fact, when the University of Miami got out of the Big East [Conference] and went to the ACC [Atlantic Coast Conference], it was very funny, because our records were subpoenaed, our notes, e-mails. I didn't have any. They couldn't believe it. Everybody else had all this stuff. I didn't have any, I didn't have one.

Riley: This is something you had learned before you took the position?

Shalala: No, I learned it in the Clinton White House. Our lawyers warned us that they were either official notes but not our little scratches. And I have a photographic memory almost for things that I've signed, so we were okay.

Riley: No diary, I guess.

Shalala: No.

Riley: So when you write whatever it is you're going to write, it will have to be out of a fairly limited reserve of written documents.

Shalala: Yes.

Riley: The Lewinsky stuff, where were you when you first heard the news?

Shalala: I think one of my staff came to tell me and I said, "You're kidding." And I remembered her.

Riley: Oh, really.

Shalala: Yes, because during the shutdown of the government, she was outside in the Chief of Staff's office, sitting at one of the desks. She came up and introduced herself. Another intern.

Riley: You remembered her. You just said you had a photographic memory for documents, does that carry over to people, or was there something specific about her that you remembered?

Shalala: No, because I had remembered her at the time that the thing was announced that I saw her picture, I just remembered. I didn't have any contact with her or any working relationship with her. When they told me, I just *couldn't believe* it, couldn't believe it. Then I was furious. We were on a roll. We had a lot we wanted to get done. It got pretty closed in the White House. We were trying to get some things done at the time and the White House just clammed up.

We were going to have a Cabinet meeting. I actually walked in and asked the President whether he had done it, as did Madeleine I gather, and he said, "Absolutely not." So I just took him at his word.

Riley: You did take him at his word.

Shalala: I took him at his word. Sure, I defended him. After that Cabinet meeting Madeleine and I and Dick Riley all went out and defended him. I think I said "ditto" after she said something. Defended him.

Riley: Did you just put it out of your mind at that point?

Shalala: No, because I went to the White House that weekend to watch something on television. I think we were watching some kind of sports stuff.

Riley: This is with the President?

Shalala: Yes, and the First Lady. Their friends from California were there and a lot of people buzzing around and I thought, *Oh, my God, he did it.* I don't know why I came to that conclusion. But I came to that conclusion because they weren't acting like he hadn't done it. There were just too many people buzzing around, scheming, maneuvering. That's when I realized that there was something there. Hillary said, "Thanks for supporting the President." I don't know whether she knew or not, but that was the moment in which I thought, *There's something here.*

Riley: Because there were—

Shalala: There were too many people buzzing around, scheming. It was downhill from there. Then the famous Cabinet meeting when I asked him about it. It was—someone leaked it—

Riley: This is later, right? I guess in August?

Shalala: We were deep into it by then.

Riley: What happened at that Cabinet meeting?

Shalala: We went to a Cabinet meeting, and we were all told to tell the President the truth. So I told him the truth. I told him I didn't like it. I was particularly irritated. If you're a college president, the last thing you do is let people hit on students. This was essentially—we have rules about these things, particularly for a young person. If he had had an affair with a married person and lied about it, I don't think I would have been bothered about it at all. It was the young person thing. It just hit against every principle I've had in my life and the world that I come from. I have zero tolerance with a faculty member with this kind of behavior. I've fired tenured professors over this, and it was just unacceptable. Everyone was being a bit of an apologist for him in the room and I just blew up.

Riley: Yes, I heard it got very religious.

Shalala: It got very religious. He came firing back at me. We sort of hugged at the end of the thing, but I was just pissed off, I was just irritated. It really had to do with who I was and where I had come from. In the academy it's the worst thing we deal with and we deal with it all the time, as you well know. Particularly graduate students. In big schools you don't have much of it with undergraduates, you do with graduate students. I was just really—I was irritated that I had defended him publicly, that he had told me he hadn't done it and told everyone else, and now we were facing it as a Cabinet.

There was a crisis. A couple of us talked about whether we should resign over this. I think we actually all decided the same thing, that we should not turn this into a constitutional crisis. We should just get our work done and keep the government together, our parts of the government together. We should not be drawn into this. That's what we ended up doing.

Riley: Who else did you talk to?

Shalala: I talked to three other Cabinet members whom I don't want to name, and all of them were feeling the same way I was, and that is, *This is disgusting but we've got to keep going.*

Riley: You had no doubt heard—you have to have heard all the stuff that went before—

Shalala: Yes, and I had known Hillary for a long time, but I thought that was all over. I really thought that was all over. And I saw nothing near that for years after we entered the White House. Nothing, nor was there a lot of rumor around about anything like that. But I think what really set me off was not moral outrage at the President of the United States having an affair with someone, it was that it was an intern. I just couldn't tolerate that. I had a different reaction than some other people did to it. Other people, the morals in general. That wasn't it for me. I know people are human. It was that it was a young person and an intern.

Martin: Did you as a Cabinet member gain power in this situation?

Shalala: I wouldn't say gained. The fact that we got a lot done during that period was that there was less interaction with the White House in terms of process because they were so busy. It was

more efficient. It wasn't that we weren't talking to them, it was just more efficient. There were fewer layers because so many of the political people were focused on the President and helping him work through the issue.

Martin: The fact that you don't resign and are staying there, to some degree that's a political favor to the President.

Shalala: Except we did it together. Yes. I think he felt that even though I blew up at him and it got in the papers—I didn't put it in the paper. Someone put it in the paper for either one of two reasons. They either put it in to show that the Cabinet was independent, or they put it in to try to do me in, which it did the opposite, it made me a hero. And no one at the White House seemed mad at me, Hillary certainly wasn't. No one said anything to me. She didn't say anything to me.

Riley: Because you knew her for longer than you knew him, were you worried about whether the two of them would stick it out together?

Shalala: No, I thought they would. I thought it was going to be very difficult, but I thought they would. They had been through a lot before that together. I thought that that was a very strong bond. I think she was devastated. You could just tell she was devastated. In part we were all staying because of her too. We had worked a long time to get as far as we were. We were going into the last leg of the administration. We were not about to blow it. We had a lot we wanted to get done.

Riley: Did the Republican reaction also play a role in this?

Shalala: Yes, they overreacted. They overreacted I think. It was also distracting them. It wasn't a great time.

Riley: In some of our discussions with the White House staff, what we hear is that part of the President's reaction to all this was, "The best thing you can do is to focus on your job and keep working for the American people."

Shalala: Yes, that's what he said to us. There's no question about it, and we did that. It was like a well-oiled machine. We just went boom, boom, boom, boom, boom. Got a lot done. It was a very happy time except for the President's troubles. It was a happy time for all of us personally, in terms of our own personal relationships. We just hung in there. And we got beaten up on television all the time. "Why didn't you resign?" People asked why we didn't resign a million times. Every time we talked to the press they were asking why we weren't resigning.

Riley: Sure. Were there people in January, when the news first came out, who were approaching you to see if they couldn't talk you into resigning?

Shalala: Yes.

Riley: Newspaper people—

Shalala: Mostly press people. They thought the natural thing to do was to resign, and some still think it. Cokie Roberts still thinks I should have resigned, and she tells me that every once in a while.

Martin: Were you facing any political pressure from women's groups or other interests?

Shalala: No, it was the press. I got a lot of letters from individuals. But once it came out that I had confronted the President, I was off the hook. I didn't get any more pressure from anyone. In fact, Republicans called me and told me how much they admired me. So once it came out that I had actually confronted him and told him what he did was wrong, I was basically off the hook.

Riley: Was there anybody else at that meeting who was sounding the same—

Shalala: All the women.

Riley: All the women? So that is a case where there seems to be a bit of—

Shalala: Yes, there was a bit—I think it was a little too touchy-feely for most of the guys. They just wanted to get out of there.

Riley: That was why, when I said it had heavy religious—

Shalala: Yes, religious and touchy-feely, all this deep psychological stuff. I didn't know what that was about. You just don't hit on young girls or let them hit on you.

Riley: I guess the Cabinet meeting occurs before he goes on television—?

Shalala: Yes.

Riley: So then he goes on television—

Shalala: And says, "I didn't have relations with that woman."

Riley: That was the first, that was back in January, right? But what I'm getting at is there was a TV appearance that didn't go very well because it wasn't terribly apologetic.

Shalala: I don't remember. We were really staying completely out of it, completely away from it. In fact, there were separate White House meetings just on that with his political staff, but it was never brought up again with the Cabinet, in either private meetings or public meetings.

Riley: Again, just for the historical record, is it the kind of thing where you're having a private conversation with somebody behind closed doors, and you're saying, "What the hell is going on?"

Shalala: No. We did what the President asked us to do. We went to work. We kept our own counsel. I didn't really discuss it with my staff after the first week.

Riley: But the first week you are discussing it with your staff.

Shalala: Yes. "What in the world is going on here?" Then after I confronted the President and it got on the front page of the *Washington Post*, my staff was like, "She's a rock star, she's our hero," particularly the secretaries, people who had suffered sexual harassment themselves. I was kind of a hero in town for that. I could do no wrong, Republicans or Democrats.

Riley: Anything about impeachment? Do you have any stories from the impeachment period?

Shalala: No.

Martin: Does your access to the White House change during this period?

Shalala: No, I had just as much access.

Martin: So from a policy point of view, from getting things done?

Shalala: It was more efficient, people had less time, we just moved stuff along. And everybody sort of put their heads down to get things done. After spending all this time in the Clinton administration, we were not about to let it destroy all the good stuff we had done, so we just kept doing good stuff.

Riley: One of the lingering questions that I think even comes up maybe in the *Frontline* interview you did was this broad question about the extent to which the scandal in '98 deprived you of some victories that you might have otherwise gotten. So I guess I'll just throw that out to you. There were some things that you feel you might have been able to accomplish in that second term that you didn't—

Shalala: We might have been able to do more in healthcare. We might have been able to do a little more in healthcare, but we needed the President.

Riley: Right, for that—

Shalala: Everything else we were doing we didn't need the President, just his support and read on the politics. We could build the bipartisan coalition, but we could have used some muscle to do something big, covering all the working poor, for example.

Riley: Nothing on entitlements or Social Security? There was not more that could have been done there?

Shalala: No. I don't think so. I would have done the healthcare for the working poor, but we just needed a lot more muscle. Might have been able to pass tobacco legislation. That might have been a possibility. Congress might have been willing to do that. We just didn't have Presidential clout at that point.

Riley: But some of that was just the clock running.

Shalala: Yes, some of it is the clock running. But when the clock is running, you really go at it. That's why I switched to privacy regulations. I switched to stuff we could get done that didn't require a lot of Presidential clout, either by building the consensus on the Hill ourselves or internally.

Riley: So you make a conscious effort at some point in '98—

Shalala: We did a Surgeon General's report on mental health. Tipper had long wanted us to do that. We picked some really tough issues that we could work out on our own. And I wanted to do something for Tipper. She really wanted us to start a Surgeon General's report on mental health. So we did a world-class report for her.

Martin: You made an important point earlier, that this also was a huge distraction for the Republicans in Congress. Any sense about what they would have done?

Shalala: No, I have no idea. But they were totally distracted too. It was an opportunity for pros like me to really get some things done, to think through how we could use our last years and our clout to do important things. We actually sat around and talked about it, because we just took advantage of the situation and did not roll over.

Martin: This is very "political sciency" but it strikes me that in the classic principal-agent problem, you, as the agent, have a tremendous amount of freedom now because the principal is distracted.

Shalala: Right.

Martin: That's why I was thinking earlier that you would gain power.

Shalala: I didn't think of it—it is power, there's no question about it, but I thought of myself as having a lot of power going in. I had more power to initiate at this point and to identify what the priorities were going to be because I could read the President.

Riley: Okay. Paul, you had questions about Gore then?

Martin: No, it was more about this question of closing up the shop and following up on that. Once Gore isn't elected, what happens within the agency?

Shalala: We didn't know he wasn't elected for a long time. We were rolling right down there. We didn't know until when? December?

Martin: Yes.

Riley: The middle of December.

Shalala: December. There was no time left. I was in the office while Bush was being inaugurated, writing my final personal notes to staff, because my secretary had said, "I'm coming in on Monday, I'll mail those for you." So I wrote personal notes to the staff. But we worked, literally, right down to the next day.

I'll tell you one final story. Mrs. [Eunice Kennedy] Shriver called me, Sargent Shriver's wife, and said there were 30,000 kids in Louisiana who had lost their Medicaid because the Governor had sent them a letter saying they were off of SSI [Supplemental Security Insurance], which he had the right to do. They had to reapply and they weren't told they could keep their Medicaid. So we had all these poor kids in Louisiana. This was three days before we were leaving office. She said, "Can you do something to be helpful?"

I checked with the HCFA Administrator, Nancy-Ann Min DeParle, and said, "Nancy, what's going on down there?" She said, "Oh, they sent this stupid letter out and it gave everybody the impression they were off of Medicaid and I can't get them to resend a letter reinstating everybody. They're not paying any attention to me." I said, "Nancy, check in the box and see. I seem to remember that we owe them some money." She said, "Oh, yes, I'm sure we've got money on Medicaid that we owe them." I said, "Well, hold it up." She said, "We can't legally hold it up." I said, "They don't know that. How much have you got?"

She calls me up and she says, "Forty million." So I called the Governor and I said, "Governor, your people did this." He said, "I know. We'll figure it out." I said, "No, no. I want a letter from you that says you're reinstating every single one of these kids and that you're going to send out a letter. I want a legally enforceable letter."

He said, "I'm not going to do that, I don't have to do that for you." I said, "Well, I'm sitting on $40 million that we owe you, and you know, I can let the Republicans send it to you." This is a Democratic Governor. What he said back to me you do not want to hear. He said, "I'm calling the President." He called the President. The President, to his credit, without knowing what the issue was, didn't like the Governor and said, "I can't control her anymore. We're going to leave office in three days."

Then the President called me and said, "What's that about?" I told him what it was about and he said, "Make him move first. You want me to call him back?" I said, "No, no, let's wait for him to call me." The Governor called me back and said, "I've got to have that $40 million." I said, "You're not going to have it, I want a letter." He said, "My health commissioner will send you a letter." I said, "No, no, no, I want a letter from *you*. I don't have time for health commissioners, I want a letter from you, and I want it initialed by the attorney general of Louisiana." So he sent me the letter. I said, "I want it FedEx so I have the original. If you have to put someone on a plane, you've got to put someone on the plane, but I'm not releasing the money until—" Friday afternoon we released the money. I had the letter.

I made a copy of the letter, sent it over to Mrs. Shriver and said, "You're going to have to enforce this because we're leaving office." We released the $40 million. We saved the kids, they actually did put the kids back on. We worked right down to the last moment making sure that we crossed every T, dotted every I. I made sure we got rid of every piece of money that was going

out to a state. So we weren't leaving them with a lot of discretion in terms of reversing any kinds of decisions. We got every reg out. We just worked right down to the last minute on stuff. They actually turned off our computers, I think, on Saturday morning. So we raced around and got stuff signed and worked right down to the last. But that's my favorite exit story.

As you know at the last minute the President was doing a lot of things to commute people's sentences and stuff like that, and he wanted me to give him a letter on one person who had done some good things. I simply said no.

Riley: You're watching Al Gore's campaign in 2000. What were your observations at the time?

Shalala: I couldn't figure out why he didn't want to run on our record. We'd done fabulous things. He was running away from Clinton. As if the American people were paying attention to that. He should have been running on all the stuff we did. On the domestic side, he should have said American kids were healthier and wealthier because we were in office—didn't do that. I loved him and Tipper. I worked my *heart* out for him. I stayed in every dumb motel from one end of the country to the other.

Riley: So you did go out.

Shalala: We were exhausted. Absolutely I went out. I didn't like his campaign, but that wasn't my business. I was not going to leave without doing everything I could for him. And we did, we all worked for him.

Riley: Do you know why, you said you couldn't figure out why—

Shalala: Well, he was disgusted with the Monica Lewinsky stuff. I think his polls showed that. I think his advisors said that to him. In the end it was his judgment. I thought it was the wrong judgment, but I wasn't going to do what the White House staff was going to do, which was to run in the other direction. I felt an obligation. He had supported me for eight years. I really liked working with him and Tipper. I was prepared to go flat out for them.

Riley: Was Gore somebody who would interact openly with the President in front of other people such as you?

Shalala: Yes.

Riley: Were there moments where you could see—

Shalala: He was careful, he was more careful on that. He would never challenge the President in front of us. Except if I was in the room alone with the two of them, there would be a little more relaxed interaction.

Riley: It's never clear from the outside how open—

Shalala: He was much more formal in the formal meetings and much more careful.

Riley: Did you ever have an occasion to witness Jimmy Carter with Walter Mondale in that kind of—

Shalala: No, I saw them together but I—I knew Mondale a little bit, I knew his Chief of Staff, Jim Johnson, and I did some things with Mondale, but it was separate. That was a more structured White House, I think.

Riley: But it was not the case that most people would see if there was any difference between the President and the Vice President on something. He was reserved and would hold it to private meetings to deal with those things.

You have been very generous, this has been enlightening and will be useful to folks for a very long time, so thank you so much.