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- Naftali: Mr. Carlucci, welcome to the Richard Nixon Oral History Project. It's June 25, 2007. I'm Timothy Naftali, the Director-Designate of the Richard Nixon Presidential Library and Museum, and I'm honored to have this opportunity to interview you for the library. Thank you very much.
- Carlucci: Thank you, it's a pleasure to be here.
- Naftali: Tell me about the first time you met Richard Nixon. Did you meet him in Africa?
- Carlucci: I met him in Brazil, if my memory serves me correctly. He came down for a visit to Brazil. I was something called executive officer in the embassy, even though I was fairly junior at the time. I believe I was assigned as his escort officer. At least I had substantial contact with him during that visit, and the visit was quite a successful visit.
- Naftali: This was -- was this your -- this was your last tour in the foreign service before you joined the Nixon administration? This is during his wilderness era, wilderness years?
- Carlucci: Yes, it was during his wilderness years. This was my last tour overseas before I joined the Nixon administration, but I did not resign as a foreign service officer. I continued as a foreign service officer during the Nixon administration, eventually ended up as ambassador to Portugal.
- Naftali: How did you get a reputation in Rio as someone who had cut staff and make an embassy more efficient?
- Carlucci: Well, we had an extraordinary ambassador named Jack Tuthill who called me in one day. I was a junior officer in the political section, and asked me who the most useless guy in the embassy was. And I scratched my head and I said -- I gave him a name. And he said, "Get rid of him." So called me back in about a month later, and he said, "How are you doing on getting rid of Mr. X?" I said, "Never had a harder job. The whole bureaucracy is defending him." He said, "I bet it wouldn't take much more to cut the embassy by 50 percent." And I was a bit stunned. He said, "Let's think about that." And he came back from a two-martini lunch one day and wrote a cable saying, "I want to cut the embassy by 50 percent." He handed it to me. By then he'd made me his executive officer. Handed it to me and said, "I want you to edit it this and send it off, and you are the hatchet man." So we got permission from the state department to cut the embassy by 50 percent, and I spent another year going about that process. So I gained a reputation as someone who would cut staff.
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- Naftali: Well, I know you survived a very difficult tour in Congo, but I'm surprised you didn't find it even more difficult after having cut 50 percent of the staff in Brazil.
- Carlucci: Well, I used to joke that the ambassador and I had to walk down the halls of the state department back to back because there were a lot of knives out for us. We were not popular.
- Naftali: No.
- Carlucci: And when I joined the Nixon administration, I think it was Alex Butterfield asked me to come over and describe the -- it was called -- we called it Operation Topsy -- to describe Operation Topsy to them, because the Nixon administration gave thought to putting it in on a worldwide basis.
- Naftali: Did they do it?
- Carlucci: It was something called BALPA. They attempted to. I advised them not to because I thought it was country- specific, but they wanted to cut worldwide, so there was a cutting process that they imposed.
- Naftali: We'll get to some more cutting when we talk about OMB in a moment, but I'd like to ask you about your friendship with Don Rumsfeld, since that's important to understanding why you went into the White House.
- Carlucci: Well, Don and I had been friends in college. He was two years after me. We had met on the wrestling team, and as I was passing through Washington on my way to MIT -- the state department was sending me to the Sloan School with MIT for an advanced degree -- I called Don to congratulate him on being named director of OEO. He said, "Well, come around and see me." And so I dropped in to see him. He had a couple people in his office, as he typically does, talking about a variety of things. But he was also talking to me. And he said, "I'd like to have you join me over here in OEO." I said, "I don't know anything about poverty." He said, "You don't need to know anything about poverty. We just want you to run the community action program." And I thought about that, and I said, "I'm on my way to MIT." He said, "Don't worry about that." He called Elliot Richardson, who was undersecretary, deputy secretary of the state, got the assignment broken, and I ended up in OEO.
- Naftali: Before we talk about that, what kind of wrestler was Mr. Rumsfeld?
- Carlucci: He was very good. He was captain of the team, much better than I was.
- Naftali: Well, you knew something about poverty. After all, you had served in Africa, and you had served in Brazil, so --
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Carlucci: Well, I can remember one of my experiences. There was a head of a community action agency named Percy Moore in Oakland, California. And it was one of the more difficult agencies. And I went out there to visit with them, and they had sort of a mass meeting, and I was trapped in the room, and Percy Moore began by saying, "Give us something about your background." So I said that I was a foreign service officer, and I had served in these various places. And he stopped me there, and he said, "Jesus Christ, and I thought the President said he was going to appoint capable people for these jobs." So no matter what you may think, Percy Moore's crowd did not think my background was suitable for the poverty program.

Naftali: The Nixon administration was inheriting the war on poverty, and OEO was the leadership of the war on poverty. What ideas -- what did you -- what did you think about the reform that was required in OEO when you started with Rumsfeld?

Carlucci: Well, Don Rumsfeld had already thought about that, and he wanted to turn the poverty program away from confrontation with governors and mayors into more of a service delivery program. And he, by carrying that message to the hill, he saved the agency from death under what would have been called the Quie Green amendment, which would have forced the agency to work under governors and mayors. We didn't end up working under governors and mayors, but we ended up with a much less confrontational program that eventually gained the support of governors and mayors.

Naftali: Was there some concern that the community action, for example, had become too partisan?

Carlucci: It had certainly become somewhat radicalized. Don, I remember, recalled one day that he walked into somebody's office and saw a picture of Che Guevara on the walls. That I wouldn't say was characteristic of the agency as a whole. There were a lot of very dedicated and serious people, but it had started as a Democratic program. There is no question that it had its roots in the Democratic Party. Don, when I first took the job, suggested that I go around and fire all the regional directors. And I told him, "Well, some of them were good people." He said, "No, you need to fire them, make sure that the new people are your people." I did that, and it was a good move. I saved one of them, actually made him my deputy. But I did that, and the regional directors understood, and I did get a crew of regional directors who were more responsive to me.

Naftali: How did you recruit them?

Carlucci: I basically asked the poverty community, asked around on who was good and who was bad. They -- obviously, they were schedule C positions, so they had to be vetted by the White House, but I did not use the White House as a search agency.

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- Naftali: Tell me, how did you decide which programs to close? Because you closed a few.
- Carlucci: I set up an evaluation team to report to me, an inspection team to report to me on which ones were either non-performers or were too confrontation-oriented, and I took on the hardest ones first to send the proper message. So I think the first one was in Milwaukee, as I recall, and once I closed that other people began to get the signal that they had to straighten out their act.
- Naftali: What were the metrics you were using? How did you evaluate success on their part?
- Carlucci: The degree to which they were having an impact on eliminating poverty or reducing poverty; the degree to which they were cooperating with governors and mayors; the kind of community support they had; the training programs that they had; were they developing leadership cadres in the impoverished community; those kinds of things.
- Naftali: You also closed one down, a big one, in Minneapolis.
- Carlucci: That's right; that was the first one.
- Naftali: So that was the one that -- that's how you sent a message, was -- I think it was Moer, M-O-E-R.
- Carlucci: That's right. I remember one time I came to a community action agency in Wilkes-Barre, Pennsylvania, which happened to have been in my hometown. And I moved to close that down. The congressman, local congressman, was Dan Flood, who was not only my congressman but chairman of my appropriations committee. And he called me and said, "What are you doing here?" I said, "Well, I'm closing it down." And he said, "You can't close it down." I said, "Dan, it's a matter of principle." He said, "Frank, as a young man, you must learn to rise above principle. Keep it open." And he put a provision in the bill that kept it open.
- Naftali: Well, we're going to have a chance to get back to Wilkes-Barre when we talk about Hurricane Agnes, but I want to ask you about some of the people you worked with at OEO. It was a remarkable group of people. Christine Todd Whitman was there at the time. I think Bill Bradley was there at the time.
- Carlucci: Correct.
- Naftali: Mickey Cantor, I think, was there.
- Carlucci: He was down in legal services.
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- Naftali: And, of course, Dick Cheney was.
- Carlucci: Yeah, one day Don called me and said, "There is a young intern on the Hill named Dick Cheney working for Congressman Steiger. I'd like you to interview him and let me know whether you think he'd be pretty good here." So I interviewed Dick, and then I called Don and said, "Yeah, he looks pretty good. You ought to hire him." Don brought him in as his special assistant, and I worked very closely with Dick at the time.
- Naftali: I guess you didn't know that the three of you would all be secretaries of defense?
- Carlucci: No, we certainly didn't know that at that stage.
- Naftali: Do you have any recollections of Christy Todd Whitman or Mickey Cantor?
- Carlucci: Just knowing that they were there; they were lower down in the agency at the time.
- Naftali: Tell me, one of the things that you focused on was shifting some money to Hispanic and Chicano groups, because the focus initially was on African-American groups.
- Carlucci: Yeah.
- Naftali: How did you do that? How did the issue come to you?
- Carlucci: Well, I made an evaluation of the different programs and came to the conclusion that one of our most disadvantaged groups in the United States were the migrant workers. And I shifted some money to the migrant worker program, just a question of doing it in the budget.
- Naftali: That's a good segue to the story of your replacing Don Rumsfeld. You made two requests, I understand, two requests of him when he asked you to replace him when he was going into the White House. You asked him to take care of two things.
- Carlucci: That's right. I asked him to fire the head of legal services, Terry Lenzner, because it had become clear to everybody, including Don, that it wasn't working out. And I secondly asked him to be sure that Ronald Reagan would assign a new grant to CRLA, California Rural Legal Assistance program, which was the legal services program in California that irritated the governor, because it was supporting the grape pickers of the Napa Valley. And Don had reason to believe, I'm sure, that Ronald Reagan would sign the grant. But Don resigned one day, and I became director the next, and the third day, Ronald Reagan vetoed the grant. And I had the authority to override the veto, but Ronald Reagan called Nixon and said, "Don't let Carlucci override the veto." At the
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same time, Alan Cranston was chairman of my authorizing committee, which had the responsibility to confirm me. And he called me and said, "Unless you override that veto, you're not going to get confirmed." So I had a problem. John Mitchell got into the act until I finally told him I didn't work for him. And we ended up setting up a process to evaluate Governor Reagan's charges against the program that had been developed by Lew Uhler. And there were some 500 or so allegations of wrongdoing. And I had three state Supreme Court justices, retired state Supreme Court justices, travel up and down the state of California for several months looking into the different charges, and when they gave me their report I was instantly sued by the program under FOIA, Freedom of Information Act. And I dove -- took the report, dove underground, called Reagan personally and said, "I've got this report. I'd like to talk to you about it one-on-one." So I flew out to Sacramento and sat down with Ronald Reagan with the report, which essentially said none of the charges had merit. And I said, "This report is going to hurt you, and I will cover you with language, and I will give you your own legal services program in return for which I will want the longest grant in the program's history. Well, we negotiated for about three days, and I basically negotiated with Ed Meese, who is a good friend today. And in the end, my general counsel was with me, and he said the -- "There are two movies here. The A movie is you accept Frank's offer and things go ahead smoothly. The B movie is that you reject it and we, in Washington, level Sacramento." And I thought, "What is he talking about?" Because I had no support inside the Nixon administration other than Len Garment and Don Rumsfeld -- Bob Finch, to some degree. But everybody else was on the side of sustaining Reagan's veto. But Ed went into a side room at the hotel we were staying at, placed a call to the governor, and the governor came back and said, "We accept the A movie." And I took the heat in the hearings on the hill. I had an all-day hearing where I was being skewered for all the language I had put out favoring the governor. But I was always able to say, look, we got the grant. And at the end of the hearing, Ronald Reagan called me and sent me a bottle of brandy congratulating me for the way it was handled. So that's how I first got acquainted with Ronald Reagan.

Naftali: It's an amazing story, and I want to ask you a couple parts about it. One, you initially extended the grant for 30 days, when this man Uhler sent a memo. He was the head of, I believe, Reagan's OEO --

Carlucci: I think he was, yes.

Naftali: And you extend it for 30 days, and Ronald Reagan flew to Washington, and apparently threatened that if the grant was over -- if his veto was overturned, he would make sure the California delegation didn't support Nixon in '72.

Carlucci: I knew he had talked to Nixon about it. I didn't know that he had been that specific.

Naftali: You must have come under tremendous pressure.

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- Carlucci: Oh, John Ehrlichman used to call me every day and say, "Stop that circus out in California. Don't override the veto." So yes, I was under a lot of pressure.
- Naftali: Well, how did you sustain yourself? You only had the support of Garment and Rumsfeld. They're both good and strong people, but how did you do it?
- Carlucci: Well, I just -- I did it by simply saying let's let the state supreme court justices make their evaluation. I've got a process in place, and I can't just call it off. It would be disastrous if we called it off. Also, remember that the program had tremendous support from the organized bar, the ABA in particular strongly favored the program, and there was a legal services advisory committee which lobbied me on the other side intensively. So there were two sides to the argument.
- Naftali: This was the time when there were some people in the White House who wanted to fire Don Rumsfeld.
- Carlucci: Well, I was not privy to that. I assumed that if you'd fire Don -- well, Don was over in the White House at the time.
- Naftali: Yes.
- Carlucci: He was counselor to the President. I assume had they fired Don Rumsfeld they probably would have fired me, too. But I had made up my mind that this was an issue in which I was going to fall on my sword. If I was not able to work it out, then I would quit in any event and go back to the foreign service.
- Naftali: Why did you decide this was the issue --
- Carlucci: I thought it was a matter of principle, to be honest with you. I thought that legal services program had merit and ought to be preserved. Had the veto been sustained, the rest of the program would have been in jeopardy. In fact, what this whole process did was lead to the creation of an independent legal services corporation. Don came to me one day when he was in the White House, and I was director of OEO, and he said, "You know, you've gone through this turmoil with Governor Reagan, and I've had a talk with John Mitchell and he would agree that we ought to create an independent legal services corporation. Why don't you do that?" So I drafted the legislation, or had it drafted, and actually worked with Fritz Mondale, who was then chairman of the legal services subcommittee on the Hill, to set up the independent legal services corporation. That's how it came into being.
- Naftali: Oh. During this period, did you speak with President Nixon at all?
- Carlucci: No, my interlocutor was basically John Ehrlichman.
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- Naftali: Did you get a sense from them what future they wanted for OEO?
- Carlucci: I never got any real guidance, to be honest with you. They never came to me and said -- well, not until I moved to OMB. When I was in OMB and presented the -- I believe it was the 1974 budget to the President, and the President said, "Get rid of OEO." And I was assigned that job from OMB. But when I was in OEO, I never received any death notice or anything like that.
- Naftali: But also no guidance?
- Carlucci: Well that's probably true, but in those days just survival was guidance.
- Naftali: How well do you think Community Action and Legal Services and VISTA were doing at this point?
- Carlucci: Community action was not as effective as it might have been. I think it's become more effective since then. VISTA -- I didn't have supervisory responsibility over VISTA so it's hard for me to comment on it. The community -- let me go back to Community Action. The main thing that Community Action did that's terribly important was created a leadership cadre in the poverty community, particularly the minority community. A lot of people in the program rose up to positions of prominence later on. So that was a significant contribution. The Legal Services program did bring about a lot of societal change, but there were radical elements to the program: haircuts, suits, that kind of thing, nonsense suits, frivolous suits, some of that existed. And the CRLA experience, I think, was by and large a healthy experience, because it calmed things down, and taught the lawyers in the Legal Services program that They couldn't abuse the process. So I think Legal Services -- it was important to make sure that poor people had access to the law, and if you lost your social security benefits and you were impoverished, you virtually had no place to turn. So the Legal Services program was certainly justifiable in taking those kinds of cases, and a lot of it were divorce cases and that kind of stuff. So a lot of it was just helping out poor people as opposed to the big class action suits that everybody read about.
- Naftali: Tell me -- why don't you take some water? Before we move -- before we move to OMB with you, in the spring of 1971, Don Rumsfeld was getting into some trouble in the administration because of his opposition to the war in Vietnam. Were you aware of that?
- Carlucci: No, I was not.
- Naftali: How did -- how was it that you moved to OMB in 1971?
- Carlucci: Before we do that, speaking of Rumsfeld's interest in foreign policy, let me tell you my favorite Richard Nixon story.
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Naftali: Okay.

Carlucci: When I became director of OEO, or was nominated to be director of OEO, Don said to me, "You ought to have a conversation with the President." And this was -- what? -- 1968. And we had --

Naftali: Was he President yet?

Carlucci: 1969, I guess. We had no relations with China at the time. Don and I were in the Oval Office, just the three of us, the President, Don, and myself. And Nixon said, "Frank, you're a foreign service officer, aren't you?" And I said, "Yes, Mr. President." "Well, where did you serve?" I said immediately, "Africa." He said, "Africa, going nowhere, the place you ought to think about is China. You go over and manage that damn place." He hated OEO. And after two years we'll send you to China. I walked out of the office saying, "What's he talking about? We don't have relations with China." Two years later, almost to the day, Kissinger went on TV saying Richard Nixon was going to China. So I'm living witness that Nixon came into office thinking about reestablishing relations with China.

Naftali: What was Rumsfeld's reaction when you said -- what did he think about this? We'll ask him later, but -- had he heard this before?

Carlucci: I don't know. I don't think we discussed it subsequently.

Naftali: Now you go to OMB, this -- it's 1971. How did you -- how did this happen, that you went from OEO to OMB?

Carlucci: I got a phone call from George Shultz saying that Arnie Weber he was going to leave, and that Arnie had done a great job but they wanted somebody with a less confrontational style. And he'd like me to come over and be the number three person handling management in the OMB. And George, as you know, put great emphasis on management. And so it was a job of considerable interest and merit. I enjoyed it.

Naftali: When were you asked to tell Mitchell to be a better manager?

Carlucci: I had barely gotten him the job and we were at a -- I guess it was an 8:00 morning staff meeting. And John Ehrlichman called me aside after the meeting and he said, "The President thinks John Mitchell is screwing up the management of the justice department. I want you to go over and tell him to shape up." I thought, my God, here I am going over telling the President's closest political associate to shape up. Me, just a low level career government servant, and so I was somewhat terrified. I went over, gave the message as diplomatically as I could, having had years in diplomacy. And Mitchell understood what I was doing, and he had mercy on me, and he responded very

graciously. So it was not a confrontational session, but it was supposed to be a kick him you-know-where session.

Naftali: Did he change his ways?

Carlucci: I never heard about it subsequently. I got then consumed in other matters.

Naftali: It's sort of interesting, because after all, Mitchell had come to you and told you to -- not to override Reagan's veto, hadn't he?

Carlucci: He did more than that. He put the -- he assigned Pat Gray to the case, and Pat Gray was tagging me around all the time, keeping track on what I was doing. And, yes, he had -- he was putting pressure on me until, as I say, I finally caught him and said, "Look, I'm reporting for the President. Until the President tells me what to do, I'm not going to respond to your orders."

Naftali: John Ehrlichman told you that Pat Gray was being assigned to you?

Carlucci: I believe he did. I have some recollection that he said Pat Gray -- he said that John Mitchell was interested in the [unintelligible] committee, was assigning Pat Gray to work with me on it. So Pat Gray was my lap dog; he followed me around all the time.

Naftali: All right -- OMB, you're working for George Shultz when you get there.

Carlucci: Correct.

Naftali: This is just after the Camp David decision about gold standard, and it had just happened the month before, I believe.

Carlucci: I believe so.

Naftali: I'm just interested in whether you recall George Shultz's efforts to a prevent wage and price control regime.

Carlucci: Yes, one day George Shultz came to my office and said, "Frank, the President's going to set up a cost of living council, and I want you to design the organizational structure for it. It's probably going to be a disaster, but you ought to design it." So I drew the boxes, and I said, "This is the way it ought to look." And he accepted that, and then Don Rumsfeld, as you know, became -- I forget what they called him, secretary of the cost of living council or something like that. And Dick Cheney was his assistant at the time.

Naftali: But Shultz thought it would be a disaster.

Carlucci: Oh yeah, he was -- he made that clear to me.

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- Naftali: But --
- Carlucci: It was a disaster.
- Naftali: Well, explain, remember -- explain to people who weren't around then why it was a disaster, please.
- Carlucci: Well, you just can't slap controls on prices. You distort the entire economy, and that's exactly what happened: things popped out left and right. We were only able to keep controls on for a short period of time, then the whole thing had to be abandoned.
- Naftali: Well, how did you design these boxes? Based on what?
- Carlucci: Well, just based on what concepts -- I talked to various people about how they might see the proposal originating, and what would be the different aspects of price controls that we'd have to deal with, and then I created boxes to deal with the different aspects.
- Naftali: Did you ask any Soviet economists for help?
- [laughter]
- Carlucci: I probably could have.
- Naftali: So why did we do it? Why --
- Carlucci: You'd have to -- why Richard Nixon decided to do that, I don't know. I guess he felt that inflation was getting out of control, and he had no option. But it certainly was not his best decision.
- Naftali: Tell me about John Connally. Did you interact with him?
- Carlucci: Just once. When I was the number three person in OMB, I had responsibility for the government reorganization proposal. Nixon had made a sweeping proposal to reorganize the domestic side of government, creating the Department of Economic Affairs, the Department of Human Resources, and the Department of Natural Resources. And we worked with Chet Hollifield on the Government of Operations Committee, Frank Horton [spelled ph], to develop those proposals. I actually got one of them through committee. And I was the principle witness. And at one point, John Connally, who participated in the Ash Commission, the commission that designed the proposal, that was picked up by OMB, was going to testify. And I was asked to brief him, and I was absolutely amazed because he obviously had not read the proposal, but riding in the car up to the Hill, he said, "Give me the details." And I gave him
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the details, and it was like a blotter. He absorbed everything, and gave brilliant testimony; he did a superb job.

Naftali: This was the Super Cabinet? Was this the --

Carlucci: Yeah, well it ended up being the Super Cabinet. Actually, we were trying to create these new departments, and we couldn't get it through the Congress, so when Nixon was re-elected in his second term he then created the Super Cabinet to try and do, by executive order, by administration, what he was unable to do by statute.

Naftali: What was the goal?

Carlucci: To make the departments more coherent, to make them goal-oriented as opposed to constituency-oriented. To create, for example, a Department of Human Resources, which would not represent various constituencies, but would deal with the totality of human resources, all the different programs, whether they were in HUD, HEW, or wherever they might be.

Naftali: I was thinking, though, the Department of Natural Resources set up, though, a bit of tension, because you --

Carlucci: Well, you had Agriculture and Interior.

Naftali: Agriculture, Interior, and you had EPA.

Carlucci: You had the whole thing set up, a lot of tension. It was not -- it was not without its controversy, but it had merit.

Naftali: Did you see it as a system of checks and balances, too?

Carlucci: I saw it as a system for improving the processes of government. There would be the normal checks and balances between the executive branch and the legislative branch and the judicial branch, and those would not be disturbed. But the executive branch had grown like Topsy, and this would have been put like programs together so that you could get the synergy from those programs.

Naftali: In this period, President Nixon says we're all Keynesians And there was a question of -- there weren't any balanced budgets in the Nixon era. But George Shultz, in testimony in the Fall of 1973, said that actually budget deficits were a good thing; they stimulated the economy. They were, in fact, a courageous thing. Please tell us what the thinking was in OMB about balanced budgets in your era.

Carlucci: Well, Cap Weinberger definitely favored balanced budgets. And in the budget that I designed when he became director, the deputy director in those days had

responsibility for designing the budget. And the director was part of the White House staff, counselor to the President. We phased out, if my memory serves me correctly, 28 programs, and we got exactly, I think, one program, the Arctic Research Center phased out the Congress. The Congress kept them all alive. But Cap definitely was striving towards a balanced budget.

Naftali: Well, let me ask you -- he'd be very important to you in your career. How did you meet -- how did you meet Cap Weinberger?

Carlucci: Well, Cap -- when I got into my CLRA dispute, Cap was very much on the side of Governor Reagan, having come from Governor Reagan's staff. And so he would call me in periodically and argue with me about CRLA. So we got to know each other quite well then, and I think a mutual respect developed. And then when I went over to OMB as the number three official, I worked more closely with Cap, and we got to be, I would say, friends. And when he moved up to be director, he asked me to be deputy director. And then when he went to HEW, he asked me to go over there with him.

Naftali: Please tell us about what you remember of the space shuttle issue, and whether to fund it or not.

Carlucci: What I can remember is a whole series of meetings on the issue. I remember meeting with NASA officials, and with OMB officials, to try and decide what level of funding might be appropriate. I can also remember that the President was very much in favor of it. And Cap Weinberger was very much in favor of the shuttle, so those of us who might have questioned it had very little survivability.

Naftali: Did you question it?

Carlucci: I had some questions about it, yes, but they did not survive.

Naftali: What about the questions of funding more moon landings?

Carlucci: That didn't -- I don't recall that coming up.

Naftali: Did you participate in a discussion about the SST?

Carlucci: I guess I audited some of that. It was discussed at the morning staff meetings, and -- but I was not part of that.

Naftali: And to what extent, at all, did OMB shape Vietnam decisions?

Carlucci: Not at all, to my recollection. I was never involved in it, and don't recall -- now what George Shultz may have done as counsel to the President I don't know.

Naftali: I was wondering the extent to which the Pentagon would work with you when it was requesting more funding.

Carlucci: Well, we had -- and I guess it still exists today, a special relationship in the budget process with the Pentagon where the President did -- where the Pentagon did concurrent budgeting with OMB. OMB worked with them right during the process, as opposed to having them submit a budget and send a mark back. So it was a day-to-day relationship with the Pentagon, and OMB worked very closely with the Pentagon in seeing that the funding for Vietnam was made available. Cap Weinberger -- this will come as no surprise -- while he was in OMB, was a strong supporter of national defense as he was when he went over there.

Naftali: So his reputation as 'Cap the Knife' was for largely domestic programs?

Carlucci: By and large, yes.

Naftali: Okay, how much did Richard Nixon care about budgeting? Did you talk to him in this period about these issues?

Carlucci: He -- most of his instructions were communicated through Haldeman and Ehrlichman, although we did have a budget session at Camp David, attended by myself, Ehrlichman, Haldeman, George Shultz, Cap Weinberger, I believe Ken Cole was there, maybe one or two others, at which I presented the -- I believe it was the 1974 budget. That's the session where I mentioned that he wanted to phase out OEO. In fact, I was surprised that so much of the session was devoted to a discussion of OEO, which was a drop in the bucket considering the overall budget. But that's where Nixon made it clear he approved -- he wanted the space shuttle to go forward. And I went through all the programs and the programs that we were cutting, and he -- he had -- there is no question he had an interest, but he was not personally involved in the details. He did not know the budget as well as, say, Jerry Ford when he became President, because Jerry Ford had been on the Appropriations Committee many years, and he knew how the budget worked, and he knew the different departments of government better than Richard -- Richard Nixon was principally interested in foreign policy.

Naftali: From your vantage point at OMB, it was so important to have good relations with Congress, after all, to get what you were looking for. How would you evaluate the Nixon administration's congressional liaison operation?

Carlucci: I think the congressional liaison people, Bill Timmons and others were superb. Tom Korologos was there. They knew what they were doing. But we -- in OMB, we had a confrontation with the Congress, because we espoused the policy of impoundment. And we were the -- Cap, and I guess I, to some extent -- were the progenitors of the Budget Impoundment Act, which did the opposite of what we wanted to have done.

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- Naftali: Can you talk -- that's very important. Can you tell us a little bit more about that?
- Carlucci: Well, we were not -- we would impound funds. We would not spend funds on programs that we thought were wasteful, even though the Congress would appropriate them, and the Congress, then, passed a law saying you had to spend the money. So that's where we stand today.
- Naftali: Well, I think -- didn't the Supreme Court rule -- was there -- the --
- Carlucci: You get Presidents today advocating a line item veto, which is essentially impoundment.
- Naftali: There was actually -- you set a \$250 billion ceiling, wasn't that --
- Carlucci: As I recall, yes, I think your information is accurate.
- Naftali: And then Congress came back to you with a \$256 billion --
- Carlucci: Yeah, they blew the budget. There is no question, and that was a lot of money at the time.
- Naftali: I think you had like a \$29 billion deficit, so it's 10 percent.
- Carlucci: Yeah.
- Naftali: Let's talk about Hurricane Agnes. It's June 1972, I believe, it's in -- your hometown is affected. You write a memo saying, for goodness sakes, don't create a czar.
- Carlucci: Exactly.
- Naftali: Tell us what happens, please.
- Carlucci: I think Ehrlichman said, "Frank, design a program for the Agnes disaster." So I worked with Paul O'Neill and Bill Moore at the time; they were both assistant directors of OMB. And we drew up a program which included legislation that allowed us to give money to schools, which was a breakthrough. And at the end of the memo, we talked about the organizational structure, and I said -- I can remember personally writing in, "Use the Federal regional council system. Do not create a czar." That was on a Friday. Saturday morning I was in the office in my tennis clothes getting ready to play on the White House tennis court, and I got a call from John Ehrlichman saying, "Frank, pack your suitcase. You're going to Camp David. You're the czar." I said, "John, that's not a good decision." He said, "This is your -- those are your orders." So I went home, grabbed a suitcase, and was helicoptered to Camp David where I met with the
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President, sort of hands-on. He made one suggestion, said I ought to receive people every day. And he said, "You ought to live in a trailer." Well, I modified that a bit. I didn't live in a trailer, but I set up an office in a trailer, and I received people every day. And he made it clear that I was to have whatever I needed to get the job done, that he wanted to end the mess that then existed, and he wanted to end it quickly. So I went up there with full Presidential authority, having been a hometown boy, and one of the first things I did was call Congressman Flood and say, "Dan, I'm now in charge. I'm going to announce the grants; you're not going to." And he said -- he started to protest. I said, "Don't worry, you're going to be re-elected. You've got 90 percent vote, so you can afford to do this." He finally agreed. So I centralized all grant making in the recovery effort. I then had to deal with Governor Shapp, who was very difficult, and I can remember when Nixon flew up to Wilkes-Barre, I was--we were flying over Harrisburg, and Nixon said, "Shapp is not going to be there, is he?" I said, "No, Mr. President, he's not going to be there. It's a holiday for him." And after I dealt with Milton Shapp, we then set up different goals and task forces to achieve those goals. And basically, we housed some 20,000 families in about two months using trailers and Mini Repair Program. We restored the dikes and created a renewed spirit of confidence in the people.

Naftali: I have two questions. First of all, how did it -- who organized Nixon's helicopter visit to Wilkes-Barre? How did that happen?

Carlucci: I got instructions from Ehrlichman to visit Camp David and make a report to the President on how things were going, so I took my helicopter and flew to Camp David, the helicopter that the Corps of Engineers had made available to me, and gave my report to the President. At the end of the report, Ehrlichman turned to President Nixon and said, "Mr. President, you ought to visit Wilkes-Barre." And the President said, "Well, when?" Ehrlichman said, "Right now, let's go. Let's crank up the helicopters and go." They looked at me and said, "Can it be done?" I said, "Yeah, I guess it could be done." And so Nixon said, "Well, let me go change my clothes." And I'm on the helicopter, I said, "Well, at least let me make one phone call." They said, "Secret Service says you can't tell anybody what's happening." So I called my office and said, "I want 30 cars at the airport, and can't say anything, but I want an appointment set up with the university." And nothing else at that point, because I had to check that the President could give to the university under the new legislation allowing us to give money to educational institutions. And we arrived at the airport, went directly to the university. Then we went to one of the trailer camps, and I can remember there was a group called The Flood Recovery Task Force, which were radicals. And the head of that recovery task force came running up to the car, and I pushed the button on the President's side and rolled up the window and told the driver to speed off, because I didn't want the President to have a confrontation, which he would have had right then and there. The funniest story is on the way out to the airport. Nixon said to me, "What's that crowd up there?" And it was a crowd coming out of the church. And I said, "I don't know. It looks like a wedding." We got abreast of the church, and he said, "Stop

the car." And the driver said, "Where?" He said, "Right here." And the car stopped in the middle of the street, and out popped the President. Went up to the church steps just as the bride and groom were coming out. If you ever wanted to see a startled bride and groom, it was this couple. He at least had the presence of mind to turn to his wife and -- wife and say when -- I forgot his name, when John Doe gets married, he does it right.

[laughter]

Naftali: So the President -- he was a wedding crasher.

Carlucci: He was a wedding crasher. He then got back in the car and said, "We ought to do something for these people. I'm going to send the White House mess team up to hold a picnic." So we had the White House mess put out a picnic for the people at Wilkes-Barre. He took a personal interest in it.

Naftali: Now, some of the people watching this interview will, of course, know about Katrina. Could you just -- in 1972, the Federal Government, I believe, did not provide assistance directly to individuals, or had the law changed by then, that --

Carlucci: In '72 we could make SBA loans. We could forgive those loans. So there were direct loans --

Naftali: Small Business Administration?

Carlucci: Yes, Small Business Administration.

Naftali: But not the kind of direct assistance that the Federal Government can give now.

Carlucci: There was no direct disaster relief fund that I could just dish out money.

Naftali: Did the military play any role in --

Carlucci: Corps of Engineers, a very important role, yes. They engaged in something called the Mini Repair Program, where they would -- they had to work with local contractors, of course, but they would go in and repair houses temporarily so people could live in them during the winter period prior to remodeling them.

Naftali: The trouble you were having with the governor, was it because he was running for re-election? I mean this was an election year, after all.

Carlucci: He wanted to take credit for all the grants. He was sort of like the congressman. And I took a very simple view: that I was up there to do a job. Everything had to be centralized in me. I would give a daily press conference; everything would

be transparent. I would get cabinet members to come up and tour the area, and make sure their programs were working well. You mentioned Katrina, one difference is it was very clear I had -- I spoke for the President. Secondly, I was deputy director of OMB at the time, so I knew where the programs were. I knew where the money was. And I knew how to deal with the cabinet departments. I had the clout necessary to deal with them. And everything was centralized with one person; we didn't have a lot of different groups milling about. So -- but those are the essential lessons that one could take from Hurricane Agnes.

Naftali: I'm sorry that administrations don't learn from each other.

Carlucci: Well, I wrote a brief memo. I don't know what happened to it.

Naftali: You mean before or during Katrina?

Carlucci: During Katrina. I wrote a brief memo, the Rand Corporation was advising on my [unintelligible]. I don't know what they did with it.

Naftali: I want to ask you about airline safety. You got involved in airline safety in this period when --

Carlucci: Oh, yeah.

Naftali: -- when metal detectors went into airports.

Carlucci: Right.

Naftali: Tell us about that, and the role of General Davis.

Carlucci: He was the administrator of the FAA at the time, and we'd had the bomb, I guess it was, at American Airlines in Texas, I recall. There had been a terrorist act against the American airplane -- I think it was Dallas -- and the word came down, once again, from the President to Ehrlichman to me: "Design a program, and I want it done in 24 hours." So I called in to all the people I remember, and Jim Beggs was there, and he was undersecretary of transportation. And General Davis was there, and my people from OMB were there. And we just sort of sat in the conference room until we signed a program. At one point, Davis said that, "Well, we're designing these new machines that can detect metal as you go through them." I said, "How far away are they from going into operation?" He said, "They're pretty close." I said, "Can you accelerate it?" He said, "Well, let me check." And he went back and checked, and came back to me, and said, "Yes, it can be done." I said, "That's it, we're going to put them in." And the big argument, not surprisingly, was not over putting the machines in. Everybody wanted the machine, but who was going to pay for the police to operate the machines, whether it be local government or the Federal Government. The big push was to have the Federal Government do it. And I took the position that

that ought to be a local responsibility. And that prevailed, up to a point. More recently of course, as you know, it's been Federalized.

Naftali:

I think Congress pushed for it to be the Federal Government, right?

Carlucci:

Yeah, that was the Congress position. Our position was that it ought to be local.

Naftali:

I also want to ask you about the Clean Water Act. Did OMB play any role in President Nixon's decision to veto the \$18 billion three-year program? It's a very expensive --

Carlucci:

Not to my recollection. It may have gone up through Cap Weinberger, but I was not party to the deliberations on that.

Naftali:

Okay. Let's talk about the Indian incident, the occupation of the Bureau of Indian Affairs. If you --

Carlucci:

Okay, sure, once again, I got a call -- I don't know whether it was from John Ehrlichman or Len Garment, but one of the two of them called me and said, "We've got this problem with the Indians." This is the time when I was doing disaster relief as well as putting the OMB budget together, so I didn't have a lot of spare time. But they said -- by then, of course, everybody knew that the Indians had barricaded themselves in the BIA. And Len, I think it was, said that the Indians had asked for me as one of the negotiators, so we met with the Indian leaders in Len Garment's office. Bobbie Kilberg was there; she had drafted the President's Indian message, and I think was reporting to Len. And decided that we'd all -- that we wouldn't negotiate with them. Apparently Kleindienst wanted to go in and clean them out, and Ehrlichman put a halt to that, and said, "No, we're going to try the negotiating route." So Len and I spent about 30 hours, I guess, going in and out of the BIA negotiating with the Indians. And finally, at the point of absolute fatigue, I said to Len, "Look, let me explore something." And I called around to OMB, I said, "Who has the easiest pot of money to get a hold of?" And they said, "OEO." So I called OEO and I said, "Can you give me \$66,000 in cash?" They said, "Yes." And I went back in and Len presented the proposal. He said, "We will fund your way back to your homes if you leave now, and it would be cold cash." Somewhat to my surprise they accepted; fatigue had overtaken them, as well. And we had somebody from OEO walk into the BIA and deliver \$66,000 in cash, no vouchers no nothing, to the Indians. There, of course, was a hearing where I was called to account, but I was able to defend it on the grounds that keeping them there in the government facilities would have been more expensive in the long run than \$66,000. So after taking a little bit of a bruising, the Congress decided to do nothing about it. And we, quite candidly, I think we saved some lives, because when we went into the BIA, we found all kinds of rigged explosives.

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- Naftali: Why do you think the Indians asked you to be a negotiator?
- Carlucci: I had been active in Indian programs when I was in OEO. I had visited some of the reservations, and I had supported the OEO Indian programs quite strongly. So they knew me.
- Naftali: Were you -- did you participate in the decision to end the policy of termination?
- Carlucci: Oh yes, Bobbie Kilberg drafted that message, and I was consulted on it and supported it.
- Naftali: Who else supported it in the administration?
- Carlucci: Well, you'd have to ask Bobbie that. I know Len Garment did, but I can't -- I can't tell you who else.
- Naftali: We will.
- Carlucci: I think Don Rumsfeld did.
- Naftali: How did you come up with the figure of \$66,000?
- Carlucci: I made a rapid calculation of where they lived and how many of them there were and just ran it through the travel section of OEO and said, "How much would this come to?" And they came out with \$66,000. It was all done in the course of a couple hours.
- Naftali: I think during the Wounded Knee incident later, they wanted to have the same Carlucci treatment, too.
- Carlucci: Oh, well I was later called to trial because the government was being sued because we had set a bad example in the BIA affair, and that had led to the death of the ranchers' cows in Wounded Knee. The ranchers were suing the government, because we had established the principle of giving the Indians money. And that made their cattle vulnerable. I thought it was a bizarre lawsuit.
- Naftali: I'm not sure I understand the logic.
- Carlucci: They didn't prevail.
- Naftali: Okay, quickly, at HEW, the Nixon administration -- Nixon committed himself to health insurance, and what happened to that initiative?
- Carlucci: Fanne Foxe, the -- Cap Weinberger was very devoted to the health insurance program. We spent a lot of time, and designed what I thought was a very good
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program. And we had pretty well -- we had gotten the President to announce it, and he was very supportive. And we had started the process in the Ways and Means Committee. And Wilbur Mills was quite supportive; Senator Kennedy was supportive; Joel Broyhill, the Republican on the Ways and Means Committee was not supportive; the AMA was not supportive, but we probably could have gotten it through committee if it hadn't been for Wilbur Mills' downfall as a result of Fanne Foxe jumping into the reflecting pond.

Naftali: What would this program have done? Would we have had national health insurance?

Carlucci: Yes, it wasn't a one-payer system. It was working through the insurance companies with fee screens, but it would have been a national system, and it would have encompassed everybody.

Naftali: So we didn't get one because of a stripper named Fanne Foxe?

Carlucci: One could that make case.

Naftali: Wow, tell me about the HMO Act of '73. The administration sides with Kaiser.

Carlucci: Well, I believe -- I believe I testified in favor of HMOs at the time, it was a new concept, and I don't think it was terribly controversial. I think the Congress accepted it rather readily.

Naftali: What was the effect, if any, of Watergate on what you were doing at HEW?

Carlucci: Well Watergate, of course, was demoralizing. The -- I can remember, I was out in Aspen at the time that the whole thing broke, and I remember calling Cap -- or he called me, I can't remember which -- and we discussed at some length whether we should resign. And we decided that the end was very close, and it was probably more important for us to ensure continuity in HEW than it was to vindicate ourselves by resigning. So we decided to stay on.

Naftali: At what point -- because Watergate is a long process -- at what point in the process -- was this during the Saturday Night Massacre, for example, in '73?

Carlucci: Yeah, it was right after the Saturday Night Massacre. It was pretty close to the end.

Naftali: What were Cap's -- what were Secretary Weinberger's main objectives at HEW, as you were his assistant?

Carlucci: National health insurance, welfare reform, we worked very closely with Milton Friedman, had a guaranteed annual income program which we sold to George Shultz as one that could be run through the IRS, and Nixon supported that. And then reorganization, devolving that the more authority on the regional

directors creating a unified program at the regional level, bringing together the different HEW programs under the authority of the regional director. Those were the three main initiatives; they were big initiatives.

Naftali: Was this part of the minimum income -- was that part of the FAP, Family Assistance Plan Project? Or was that a follow on to the [inaudible] --

Carlucci: The OEO had run an experiment under Don Rumsfeld. Don really designed it; you ought to ask him about it. On an LM Rock on the guaranteed annual income, which showed that people continued to work even when they had a guaranteed annual income. But our program would have created a sliding scale which phased into the tax system, so that as you -- your income moved up you begin to pay more and more taxes. It was, as I said, a Milton Friedman model.

Naftali: Oh, so Watergate was demoralizing, but do you remember any of your initiatives dying in Congress because the President's credibility was a wasting asset?

Carlucci: Well, I gave you the account of what happened on the healthcare program. The Welfare Reform Program hadn't reached the stage of going to the Congress. The Congress -- I testified in favor of something called the Allied Services Act, which was, as I mentioned, legislation that would have brought together the different programs at the local level. This would have allowed the regional director to commingle funds from different HEW -- there was some 15 different programs dealing with welfare reform alone. And since we couldn't centralize them at the Federal level -- Congress would resist that -- I tried to do it at the local level. The Congress also resisted that, and the fact that we didn't have a lot of political clout in those days had some bearing on it.

Naftali: What were you doing -- what do you remember of August 9, 1974, the day that Nixon left office? I was -- I think I may have been still in Aspen. I was nothing more than a spectator at that point.

Naftali: Let's fast forward quickly to Richard Nixon and the Reagan administration. He came to visit Ronald Reagan when you were there. I believe he wrote a letter to you.

Carlucci: And --

Naftali: When you were --

Carlucci: I was nominated to be secretary of defense. Nixon wrote me, I think, a six-page letter. It was brilliant, and I picked up the phone and asked to spend a day with him. I went to his home in New Jersey and spent the entire day with him. He actually drove me back to the airport. And it was clear he had written the letter himself. And it was -- it did lay out very clearly the problems I was going to face and some proposed solutions. In terms of Ronald Reagan, this was a little

earlier, when I was national security advisor, and things were heating up with the then Soviet Union. It was clear we were going to engage in intensive negotiations, and Howard Baker suggested to me that -- he said, "Frank, you need to prepare the President." So I went in to Ronald Reagan and said, "We'd like to have some people come in and talk to you about how to deal with the Soviet Union. Are you receptive?"

Carlucci: He said, "Oh, yes." He liked that. Ronald Reagan liked to talk to people. He absorbed more through the oral word than the written word. And I tried out some names. I tried out Kissinger. He wasn't particularly enamored with that idea. And then I mentioned Brzezinski. He said that was fine. And then on the spur of the moment I said, "Richard Nixon." He said, "By all means, bring in Richard Nixon right away." So I went out to the helicopter landing pad on the south lawn and greeted Richard Nixon as he came back to the White House for the first time after he had left in disgrace, and took him up by the elevator to the President's living quarters on the second floor of the White House. And there Nixon, Reagan, Howard Baker and I spent, I'd say about an hour, an hour and a half, while Nixon -- Nixon basically did most of the talking on how to deal with the Soviet Union -- what was happening. And Reagan loved the session.

Naftali: What -- do you remember what Nixon thought about Gorbachev at that point?

Carlucci: He was a little more skeptical of Gorbachev than Reagan. Reagan became -- well, in the early days Reagan was -- didn't know what to think of Gorbachev. He later became very intrigued with Gorbachev to the point that I had to remind him, from time to time, that Gorbachev was trying to fix communism, not kill it. And -- but as everybody knows, he did a masterful job with negotiating with Gorbachev. The genius of Ronald Reagan was that he knew when to switch from confrontation to negotiation, and Nixon encouraged him in making that shift at the time, so it was -- Nixon was, in a sense, singing to the choir.

Naftali: This was after Reykjavik was it?

Carlucci: Yeah, it was long after --

Naftali: Long after when you were national security advisor.

Carlucci: Yeah, it was long after Reykjavik.

Naftali: What would -- have we missed an anecdote that you'd like to preserve?

Carlucci: No, I think we've covered it all.

Naftali: Well, then I want to thank you for your time. I appreciate it, thank you very much.

Carlucci: Great seeing you. Hope it's helpful.