

Timothy Naftali

Hi, I'm Tim Naftali. I'm Director of the Richard Nixon Presidential Library Museum. It's January 14, 2008. I'm in Washington D.C., and I have the honor and privilege to be interviewing Chris DeMuth for the Richard Nixon Oral History Program. Mr. DeMuth, thank you for joining us.

Christopher DeMuth

Happy to be here, Tim.

Timothy Naftali

Professor DeMuth.

Christopher DeMuth

Mister, please.

Timothy Naftali

Let's start with how you found yourself in the Richard Nixon administration, in the White House. How did it happen?

Christopher DeMuth

In the summer of 1968, I was working -- I had just gotten out of Harvard College, graduated in June, and I was working on a political campaign in Brooklyn, New York, specifically in Bedford-Stuyvesant, the almost all black community, which, as a result of a recent redistricting, that I think Robert Kennedy, then senator, before he was killed in -- earlier in -- in the early summer of 1968, had taken on as a project to create a second black Congressional district. There was the Adam Clayton Powell district in Harlem. Now there was to be one in Bedford-Stuyvesant. Those were the days of four party politics in New York. Republican, Democrat, Liberal, and Conservative. And a man named James Farmer, who, at the time, was a famous national character; he had been one of the leaders of the mid-'60s civil rights movement, head of the Congress of Racial Equality, had the Liberal party nomination, and thanks to Governor Rockefeller, the Republican Party nomination as well. And it was part of the old civil rights movement where black and white people joined hands and sat down at the table of brotherhood, that a senior member of his campaign in Bedford-Stuyvesant would be this white kid from Harvard. We were caught up in the changes in the civil rights movement, the old guard civil rights leaders were being pushed aside by a younger and much more racially self-assured group, and one of them, an assemblywoman named Shirley Chisholm, clobbered us. We just -- we got creamed in the general election. And so here I was in New York, recently out of college, unemployed, essentially unemployable, no prospects, but I did have some friends that had been involved in one way or another in the Nixon campaign and were working with him on his transition, which was set up at the Pierre Hotel downtown. These were people largely that I had known through the Ripon Society, a group of what we would now call liberal Republicans at Harvard. One of them, George Gilder, was on Nixon's speechwriting staff. Another, Bill Kilberg, who would later be solicitor of labor in the Nixon

administration, was a young lawyer working at Nixon's law firm, Nixon, Mudge, Rose, Guthrie, Alexander & Mitchell. And they, I think, wanted to just get me off the street corners and thought that I could help out during the transition. So I went to work as an unpaid volunteer, and my assignment was to try to find black Americans who we might draw into the administration. I forget what percentage of the black vote Nixon got, but it must have been -- it was very, very small of course. And he was interested in having some black appointees. And eventually, in fact, Jim Farmer did come to work, and was assistant secretary of the Department of Health, Education and Welfare, as it was called then. He was assistant secretary of administration under Secretary Bob Finch, who was an old California friend of the President's. So I started working, going through resumes and just helping with various chores. And I got to know a man named Len Garment, who was a former -- who was a law partner of the President-Elect, a good friend of his. And he and I hit it off, and we started talking about the contours of the new administration. And Len told me that Nixon had been reading essays by Daniel Patrick Moynihan, then a professor at Harvard, who had been -- and he had written several very, very deep and stirring essays in "Commentary" magazine in '67, 1968. He had been very active in the Bobby Kennedy campaign, and had written a very moving essay after Kennedy was assassinated. Nixon found something in Moynihan, in the quality of his mind that was very interesting. And he developed this idea that it would be wonderful to see if he could get Moynihan involved in the administration. He also wanted to bring some Democrats in; he thought that would be a good thing to do. And through Len Garment, I was approached to see -- "there is this Harvard kid, you know, down on the next floor. Maybe he knows Moynihan." Well, I did know Moynihan. I had been interested in the problems with the cities, which were the big domestic policy issue in those days, as an undergraduate, and I had -- I had had a job as a bus boy at the weekly luncheon of the Joint Center for Urban Studies of Harvard and MIT that Pat was head of, which meant that I got to sit in on the conversations and deep thoughts of the professoriate and their visiting speakers once a week. And I had gotten to know Pat.

And so I became an emissary, a courier between the Pierre and Pat's home in Cambridge, and went back and forth a couple of times. I had some ideas about things he might do in the administration. I was -- my proposal was that he be secretary of transportation, a subject he had worked on, auto safety, for Governor Harriman in New York sometime back. The political people checked with their friends in Detroit, who knew something about Pat's record on highway traffic safety, automobile safety regulation, and were not enthusiastic. But a meeting was set up, in any event, to discuss possibilities. And this would have been in late November, early December, 1968. And Professor Moynihan and President-Elect Nixon hit it off very, very well. They had a good meeting and discussion. And they came to -- they just made a decision right then and there that the President would set up a sub-cabinet group called the Council on Urban Affairs, and that Pat would be the executive director. He would be an assistant to the President. He would be working in the White House. And they would be addressing the problems of the cities. And this is in the time of after the Great Society programs, the Model Cities Program, the Community Action Program, the war on poverty. It was a big, very prominent part of domestic policy. And these were all to be subsumed in this cabinet working group that would be directed by Pat Moynihan. Pat and I went out for dinner afterwards, and he told me that he was, indeed, going to be joining the administration, and asked if I would come and work for him. And I accepted on the spot, and a month later, got a U-Haul, drove down to Washington, and a month later found myself driving around in limousines and going to cabinet meetings, having been rescued from the unemployment lines by Pat and the President. Pat had several other younger people on his staff: Dick Blumenthal, who has been, for many years, the state attorney general in Connecticut; a fellow named Steve Hess, who has been at the Brookings Institution for many years, an expert on the Presidency; Stories Hartman [spelled ph], and several other people. There were a whole crowd of us

working for Pat. And so that's how I found myself in the first -- with my own office on the first floor of the West Wing in the ground floor in January of 1969.

Timothy Naftali

I'd like to ask you about the shuttle diplomacy between Cambridge and the Hotel Pierre? What was Moynihan's reaction when you came to him the first time and said, "The Nixon administration is considering you for a position"?

Christopher DeMuth

Pat was -- Pat was intrigued. I think that -- I think we can be confident that he voted for Hubert Humphrey in the general election. He was a strong Democrat. He had been thrown into some bit of Irish despair by the events of the previous year. The convulsions of the Democratic convention in Chicago, the assassination, the murder of Senator Kennedy, the murder of Martin Luther King, and he was in a pretty black place. He found -- he later appealed to Nixon, based on the historical precedent of Disraeli. He saw something in Nixon that intrigued him. I also think that he was an ambitious person. His interests in being a professor at the Harvard School of Education, that was probably not the height of his ambitions for his life, and he saw some opportunities. I think he saw some opportunities to work as a sort of a liberal consigliere to President Nixon, probably -- and this unfolded as I was working for him -- probably as an opportunity to improve and moderate some of the excesses of Great Society programs on the one hand, but also to save what was good in those programs from these miserly Republicans who were going to be in charge, and to try to find a middle way, and to -- a middle way that would appeal to Nixon.

Timothy Naftali

What was the first big project that he assigned to you?

Christopher DeMuth

I worked on -- during my first eight months, I had two assignments. One was to work on what we would now call welfare reform. Nixon wanted to do something, he wasn't sure quite what, with the welfare programs. Not the Great Society programs, but traditional AFDC payments to families with -- mothers of dependent children, other kinds of welfare programs. And there emerged a battle royal within the White House that was deeply interesting, and that I had -- I can only say a tangential role. The main combatants were Pat Moynihan and Arthur Burns, later to be chairman of the Federal Reserve Board, but for the first, I think it was two years, as a counselor to the President, and an old friend and economic advisor to Nixon. Pat took the opportunity to promote a program that eventually took the form of the Family Assistance Program, which had some antecedence in the Milton Friedman negative income tax, but had a distinct family orientation, purported to solve some of the problems of welfare, but was also a very generous program. You didn't have to have illegitimate children to get a grant. I mean it was just to families. It was intended to strengthen families as opposed to weakening families, which we believed the current system did. Arthur Burns was deeply skeptical of that, and was essentially an opponent of doing anything too dramatic. Arthur was a professor, Pat was a professor. They both had a gaggle of young kids working for them. And there was an energetic exchange of memos back and forth that went on throughout the spring and summer that resulted, first of all, in the President's proposing the family assistance program. The Moynihanians beat the Burnians in the

intellectual battle. And second of all, the President thinking that this rollicking academic seminar was pretty interesting intellectually, but he had a government to run, so it was kind of the end of the reign of the professoriate, and he put Ehrlichman and Haldeman in charge of managing a much more buttoned down White House from the fall of 1969 on. The second was working on the Model Cities Program --

Timothy Naftali

Before we go to the Model Cities, let's talk a little bit more about this battle royale. What was -- what do you think led Nixon to bring Ehrlichman in? What was it about the battle royale? I mean after all, you won, so there was an outcome. It wasn't paralysis. It was actually a program. From your perspective, as a Moynihanian, what do you think happened?

Christopher DeMuth

I think that -- I think that the -- that I think the President and some of the political managers around him thought that the process was too free-wheeling and untidy, that it went on for a very, very long time, that it absorbed a lot of the President's time, and I really don't think that there was much more of it than just thinking that it was a little bit too -- a little too bohemian. You know? And I'm sure that Bob Haldeman and John Ehrlichman were part of the view that we needed a tidier process. I don't think it was unhappiness with the result, although I'm sure Arthur Burns and his people were very -- I mean, it was a -- I talk about this as a lively battle, but I mean we were really playing for keeps. There were big stakes involved, and if you talk to Marty Anderson, for example, he'll give you a sense of how raw the wounds were of the final decision. And we spent months on this, and I think that the President probably thought that he didn't have months and months of time to spend on every decision that he made, and if we get on to talk about some of the work I did in environmental policy later on under the Haldeman dispensation, you'll see that he was much more cognizant of those sorts of things.

Timothy Naftali

Well, how involved had he been in this debate?

Christopher DeMuth

During the time I knew him mainly by -- I would see him on occasion. He was more present around the halls of the White House than Presidents are today. But I was only tangentially involved in the major discussions there, so it was mainly hearing from Pat himself, how things were going, helping to do memos, running out and doing research. I was 21 years old, remember. I was a very junior bunny.

Timothy Naftali

But you saw a lot. Energetic and ambitious bunny, too. But what were the -- what were the key victories? I mean obviously getting the program, but what was the -- what was the argument you were trying to win about government at that point, about what government ought to do that made you different from the Burnsians?

Christopher DeMuth

We believed in the -- we believed in the efficacy of government, but we thought it had been done badly and it had bad consequences, and we wanted to turn things around by having equally generous programs, but programs that provided -- that provided money directly to individuals based on different criteria. We wanted to use these payments to poor families to help strengthen family structure. So we had a conservative aim for big governments, so to speak. And the Burns people were very skeptical of that. And I believe that we won the debate in the White House in the sense that this was the President's proposal, but it was not in any essential respects adopted into law. And if you look at the subsequent debates on welfare policy, you'd have to conclude that the Burns people eventually won the argument. I was present in a later White House, that of Ronald Reagan, and Reagan had a somewhat Nixonian view of welfare, that is, he thought that the problem with welfare was that a lot of people that didn't deserve it were getting the money. There were a lot of cheats, people with color televisions and fancy cars that were getting a lot of money. He wanted to get the cheats off the rolls so that the money could be focused on the deserving needy. And that, in a sense, was what Nixon was doing, although there -- it wasn't just deserving versus undeserving. He wanted to use it to strengthen families. Family breakdown, especially in the black community, was thought to be the heart of the poverty problem. And we were going to provide money to promote family formation. A later and more radical view was that associated with my AEI colleague, Charles Murray, which was that welfare of essentially any kind was promoting family breakdown, and I can remember -- and that was very much the Arthur Burns view. He just thought -- he essentially thought the less the better. And I can remember in the Reagan White House, when Murray's book, "Losing Ground," came out in 1984, Reagan was completely unsympathetic to that, completely unsympathetic. But it was Murray's view that was eventually adopted by the Congress. Pat Moynihan voting against the Welfare Act of 1996 and signed by Bill Clinton, which was very, very different. We would be generous for a brief period of time, and after that, you had to go out and get a job. That was -- that was pretty much the Burns view. And it seemed retrograde to me in my Moynihan crew in 1969, but I think it ended up in the form of sometime actually winning the debate, and that was the view that actually was adopted in the policy under President Bill Clinton. It's a somewhat complicated matter, but I think almost everybody would agree, with very, very positive results for social welfare.

Timothy Naftali

Do you remember Donald Rumsfeld at all in the discussions?

Christopher DeMuth

I do not, we did not really overlap. I knew Don because he was my congressman. I'm from Illinois, and he was the congressman from the 13th district. I forget when I first met him, but I can remember dropping by his office in Congress and talking to him about this and that during -- I was just there for two years, and seeing him, and I, you know, remember following his career when he came downtown, was head of the anti-poverty program for a time. But we did not really overlap.

Timothy Naftali

Did you -- one of the young Turks of this period was Dick Cheney. He was also working on these issues.

Christopher DeMuth

That's right.

Timothy Naftali

In that period -- did you run across him?

Christopher DeMuth

I did not. I met him at about the same time. He was -- we would have been approximately contemporaries. He was a few years older than me. He was in Washington as a -- he was getting his Ph.D. at the University of Wisconsin, and he had a -- I think a one- year Congressional fellowship of some kind, and then one thing just sort of led to another. And he ended up -- he helped Rumsfeld a little bit in his confirmation hearings, and then ended up getting hired by Don, and then after the dramatic turns, various turns of events, attendant to Watergate and Don leaving, then Don coming back, then Don being chief of staff and going to the Pentagon, Dick became chief of staff. But I did not -- I did not know them well. I worked on welfare and city problems, just in the first year. Then I went off in my second year and worked on environmental policy, which was very different from anything that they were doing.

Timothy Naftali

Let's talk about Model Cities, then.

Christopher DeMuth

I was -- I was charged by Moynihan with looking at this program, kind of the grandest legacy in some ways of the LBJ model -- LBJ Great Society program. It was a -- it was a big program. It had a very big budget. And it was -- it was just an egregiously ambitious and poorly thought out program. It began with the idea that it would be something like urban renewal to the fifth degree. That the Federal Government was going to come along and take a couple of cities, and pour resources into those cities, and turn them into gleaming cities with low crime, high employment, beautiful downtowns, no congestion, harmonious race relations. They were all going to do this by a concentration of resources, money resources and expertise, a lot of smart people, and there were a lot of smart people working in the LBJ White House. And they were going to fine tune these cities. But by the time the legislation passed in 1966, it had come up across -- come up against the realities of Congressional politics. The first thing was that we had to see that there was a model city in every state and there were more than six or seven states. And some of those states did not have many big cities in them. So, for example, one of the first model cities I visited was Winooski, Vermont. So I forget how many there remember. But there were scores of model cities all over the country. The allocation of the cities had been done very, very politically. That had diluted the amount of money that was available. The essential idea, though, was to build up expectations to a fervent high degree, because people had been told in these cities that if you get together, if you get your act together, if the mayor and the community groups and the business leaders could come up with a plan, we will make that plan a reality. We will pour money in. Well, now that we've got so many model cities, we're not really going to pour money in, but what we're going to do is we're going to help you get in grants from all the other departments, and then we will supplement those grants. Wherever there isn't a grant, we'll help you out with a grant. So it had become

very, very bureaucratic, and it was a -- by the time I got there, started working on it in the winter of 1969, a very, very easy program to criticize. There was an enormous amount of activity, and hype and expectation at the local level, and it was clear that not much money was going to come through. The program, frankly, had been taken over by a lot of pretty sharp operators in a lot of cities, and the programs that they were coming up with did not hold out any particular prospects, especially for helping the poor. They had prospects for helping out lots of consultants and contractors and relatives of the mayor, but these programs were pretty ugly. And they probably weren't even helping with Federal grantsmanship. The one thing I noticed was that all of the other Federal departments, Housing and Urban Development, and Health, Education and Welfare and Transportation, they would watch and see what local programs were getting funded by Model Cities, and then they would cut back their grants for those things and spend them elsewhere. So it became a classic bureaucratic shell game. It was a terrible program. It was really awful. And it helped shake away such vestiges of my youthful liberalism, as I still had, actually confronting -- I mean I was definitely a do gooder, and seeing how do goodism was destroyed by the bureaucracy, and the incentives of the different departments, was quite revealing. I came back as a young -- very young man to Pat and I said -- I just told him, this program is a disaster. And, you know, it's bad for the taxpayer, it's bad for a lot of things, but it is particularly bad for the poor. It's doing nothing for the poor expect making promises that are sure to be broken. The sooner we're out of this, the better. Pat was an older and wiser man. Of course he had been Secretary of Labor in the Johnson administration. He understood all of these things, but his heart was still in trying to save some shards of these programs. We ended up doing what Presidents often do when they can't make a decision. We appointed a task force of urban specialists to review the Model Cities Program and make recommendations, which they did, and in, I think it was -- and I worked with them. The head of it was another professor of mine from Harvard, Edward C. Banfield, with whom I was pretty close. And he published a big book on urban problems in 1969, 1970. The task force essentially recommended that Model Cities be made a part of revenue sharing. There was another angle of policy that was proceeding at the time, which was this old Republican idea of revenue sharing, and Dick, a fellow at Albany --

Timothy Naftali

Nathan.

Christopher DeMuth

It was the great apostle of revenue sharing. And he had a position in the administration, I forget where it was. But we were clearly moving to take the scores of categorical grant and aid programs, and consolidating them into a very small number of grants. And the big issue was are these grants to states or are they grants to cities? And politically, one of the most controversial parts of the Great Society programs is that they penetrated the traditional approach of Washington domestic expenditures going to the states, and went right to the cities. And we came -- I forget what compromise we came up with.

Timothy Naftali

But I just -- it's not often in government that you see a great debate at this level.

Christopher DeMuth

It was at a very high and serious level. It was really -- it was wonderful. And, you know, in general, the Nixon White House, even after the restoration of a traditional White House in the fall of 1969, the place was filled with professors. It was Burns, Moynihan, Kissinger, George Shultz. Nixon really liked intellectual debate. And he was capable of partaking of it at a very, very high and sophisticated level. And I've not -- I've seen a lot of Washington since then, but nothing like that. And it's easy to see the downsides of it, but there are upsides as well. And I was involved in the transition for the current Governor Bush, and one of my many ideas that had no appeal was that he have -- he have a position something like a counselor to the President of somebody that had no direct responsibilities, but to kind of think about things, tell the President books he should read, try to insinuate some real intellectual seriousness to what would be a very buttoned down White House. And, you know, the White House is not just kind of staff central for running a government. There is a lot more involved, and there was a degree of that in the Nixon White House that was pretty unusual.

Timothy Naftali

Was there any of that in the Reagan White House?

Christopher DeMuth

The Reagan White House was very different. Reagan was himself more of an intellectual than Nixon was, and he had -- he had a very large group of intellectuals who were not in the White House that he consulted with. It was a very different kind of a thing. In the Reagan White House, it was characteristic that you'd give the President a decision memo with options, A, B and C. And he would choose R. And one of the reasons the staff -- you got all the talk from the Reagan White House about how the President was out of touch, and he was lazy, and he wasn't paying attention and so forth, was that he had a direct line to lots and lots of other people. I mean he got the Strategic Defense Initiative, with some of his pals at the Hoover Institution and Stanford. He had a lot of independent ideas. Nixon was not like that, but he liked to gather intellectuals -- he liked to gather intellectuals around him.

Timothy Naftali

I'd just like to press you on this for a moment. You just said that Reagan was more of an intellectual than Nixon?

Christopher DeMuth

Yes, I think so.

Timothy Naftali

And you define it in terms of his interest in ideas? Is that how you would define --

Christopher DeMuth

Yes, remember, he was a crusading columnist before he came to the White House. I mean he would write every week on some recent outrage at the Federal Trade Commission or -- he knew a lot of the

nitty gritty. You can argue it either way. Nixon had -- liked to have a lot of intellectuals right around him in the White House. Reagan, not so much, but he -- you know, he was very close to Milton Friedman. And, of course, George Shultz could be, you know -- when he needed a Secretary of State fast, he knew who to call. But I think of Reagan as having kind of part of The National Review crowd. He also had a lot of old pals that were parking lot magnates from Southern California, you know, just kind of grizzly old business guys that saw the world the way he did. But he always had a pretty considerable number of intellectuals that he -- that he spent a lot of time talking to. A lot of his big ideas did not come from the Republican establishment, did not come from the White House.

Timothy Naftali

Where -- where were you in the Reagan -- since we talked a little bit about Reagan. What were you doing in the Reagan years?

Christopher DeMuth

I worked in his first administration as head of the -- of a group called the the Presidential Task Force on Regulatory Relief. And I also had a statutory office at OMB, Office of Management and Budget, which under an executive order that the President signed right when he arrived, had the authority to -- had the responsibility to review all new regulations, and the authority to stop them if we thought that they were not consistent with what President Reagan would want. And if we had a decision, we would take it over to the Oval Office.

Timothy Naftali

Was that a new position at OMB?

Christopher DeMuth

It was -- the idea of OMB, the President's office reviewing government rules, was actually initiated by Richard Nixon. And there was a -- kind of an inchoate, very informal program after EPA was formed, where EPA couldn't simply go to the Federal Register with its new rules. They had to come to the White House first. They were just establishing procedures for these many new regulatory agencies inside the executive branch, which were created in the Nixon administration, not just EPA, but OSHA, Consumer Product Safety Commission. The Highway Traffic Safety Administration got to be much larger, and busier during the Nixon years. And they began this process, which grew during the Ford and Carter administrations, but then Reagan took it a big step forward, formalized, had an executive order, had economic cost benefit standards for rules, and I essentially oversaw that apparatus.

Timothy Naftali

Let's go back to Model Cities.

Christopher DeMuth

Yes.

Timothy Naftali

We were just finishing that when we ran out of tape.

Christopher DeMuth

We looked at this program. We thought it was bad. We didn't know quite what to do about it. It ended up being subsumed in the President's program for revenue sharing. And there was one -- there were just a few major grant programs for, you know, community development, this, that and the other thing, very, very broad. They basically went to the states, not to the cities. And that was making a lot of these programs more, quote, Republican, because the states tended to be more friendly to Republicans than the cities. But there were some -- there were some vestiges of the LBJ Great Society that saw that a certain amount of money would go through directly to the cities, and essentially, this big program, Model Cities, it just sort of melted away into the -- into revenue sharing, providing that some money would go straight through to the cities. And we ingratiated ourselves with the mayors, mostly Democratic, by seeing that when the money came into their cities, they had the authority over it. It wasn't going to go to some pesky, you know, community action groups that were making trouble for the mayor. One of the things we did was have the money go through the kind of established constitutional governments.

Timothy Naftali

Had any of these programs worked? Were there any "model" cities in the Model City Program?

Christopher DeMuth

It would be interesting to go back. I think you wouldn't find a trace. There was -- certainly no model city was ever built. And it was just a hodgepodge of grant programs for this, that and the other thing. If we went through all of the grants --

Timothy Naftali

Yes.

Christopher DeMuth

Could we find a transit system that was good or some housing program that was good? Of course, it's a big country, and I'm sure there were some successes in there. But as measured against the initial ambitions, I mean if you want back and you read LBJ's speech, nothing comes close to that. I did one thing that I was just thinking about. You said what did I do right when I got there. I did one thing on urban affairs in my first weeks in the White House, that I came years later to think, with the benefit of hindsight, had a little bit to do with Watergate, believe it or not. And here's what it was. Pat Moynihan had the idea that one of the -- that something that the President should do right after he got to Washington -- we had a couple of ideas of things we'd do right away. One was we were going to turn on the lights at the White House. LBJ had turned all the lights off so the White House was actually in the dark at night. We thought this is the symbol of the head of the American government, and we wanted to -- I have to -- I have to -- do you have a way of excising these things? I'm really getting a little mixed up there. That was Reagan following Jimmy Carter.

Timothy Naftali

We don't have to excise, but don't worry --

Christopher DeMuth

But we have --

Timothy Naftali

Don't worry. You're allowed to make a mistake.

Christopher DeMuth

But we had a -- we were going through a list of things to do right when we arrived.

Timothy Naftali

That was because of the energy crisis.

Christopher DeMuth

That was the energy crisis. I'm pretty sure it was --

Timothy Naftali

It must have been Reagan because it --

Christopher DeMuth

It must have been, because Jimmy Carter -- that would have been a very Carteresque thing, to turn off the lights -- all the lights at the White House. The big thing, one of Pat's big ideas that the President really liked was doing something to address the terrible burned out hulks on 14th Street, still left over from the Martin Luther King riots of the previous spring. There had been a -- the big riots were in Los Angeles and elsewhere, but there had been a very, very substantial period of mayhem in Washington. A lot of buildings had been torched. And they were sitting there 10 months later, nothing had happened. And they were kind of a symbol of the ineffectiveness of a lot of the LBJ, you know, model cities and we were going to do all these things, and still, a few blocks from the White House it looks like a block of Dresden after the war. I'm exaggerating, but it was really bad. And it had become a kind of a no man's land. There was a lot of crime. It was just physically awful. I remember Pat describing there was so much vomit, just sitting there. Now, one thing Republicans are supposed to be able to do is to run the government efficiently. So why don't we do something immediately to demonstrate our commitment to making the cities better places and showing how we can actually get things done. Why don't we, within a few weeks of showing up at the White House, actually come up with a plan and at least if people are squabbling about what to do with these properties, at least we can knock down the charred, burned out buildings, just knock them down, pour some concrete, put up some hoops, put up a playground. Just do something simple while we figure out what the real redevelopment plan will be.

Now, the President had -- President Nixon had a very, very deep suspicion of the permanent government. He thought all of the civil servants and the people that ran all the programs were a bunch of liberals who had ideas that were antithetical to his and were in some way or another out to get him. They disliked him, they would try to undermine them. And he was not, to put it kindly, he didn't feel particularly close to his Cabinet. His -- especially his initial Cabinet was an old fashioned Cabinet. It's hard to find Cabinets like this anymore. Cabinets today, you tend -- they tend to have a lot of diversity, a lot of, you know, blacks, and women, and, you know, people representing different groups. But you don't have political representation the way they did in the old days. He had, you know, the governor of Alaska, the governor of Michigan, different constituency groups, different regional groups were represented in his Cabinet. But he didn't have much more confidence in them than in the permanent government. And a couple of us, it was primarily Dick Blumenthal who was in charge of city relations under the urban affairs council that Pat ran. But those of us who were working on this little project, our first -- the first rule of what we were going -- going about it, the first rule of the project was, don't let Secretary Romney know. He was the secretary of HUD. He'll just -- he'll goof it up in some way. He'll try to get the limelight or he'll ruin it or something like this. So essentially what we did in Pat's office was find some contractors, just private firms, that could go in and bulldoze these things. Just some people -- people with heavy machinery. Some people in the city government who had the authority to hire these people, and some responsibility for redevelopment of the 14th Street corridor find some budget authority in HUD that could provide money to the people in the city who could, then, use it to do this initial project. And we got the whole thing arranged, and Secretary Romney was informed the night before. And he was invited to come to the ribbon cutting ceremony with the President. But -- and here were a bunch of 20 -- young 20-somethings, 21-, 22-year-old kids in the White House, and we were -- this was -- this is why I think of this as the beginning of Watergate. We were not acting as staff. We were line. We were acting as line officials. We were real government. I did a lot of it myself, but in this case, just in the first few weeks, we were going right into the departments. We were talking to people that were running programs. We were telling them how to run the program. We were just saying, now, we want you to make a grant to this person in the DC government, and then the person in the DC government is going to hire this contractor. We were running a little government to run this one little project.

We weren't giving advice to the President. We were the government itself. And the President's deep suspicion, suspiciousness of the permanent government led him, time and time again, to have people on the White House staff actually managing programs. And I saw this -- I didn't really realize it at the time. I had never been in the government. I didn't know -- I had nothing to refer -- I had no baseline, as they say. I didn't have anything to compare this with. This was the way things were done. But in time, as I learned more about the government and looked back on it, I came to see this as a kind of a pathology. And that we were -- I would help with commissions, appointments to commissions, and I would just call up the FBI and have them send files over. It never occurred to me there was anything wrong about it. I was just doing my job. And then I later found out that we kind of had our own CIA down there in the basement. And they were doing operations as well. It was -- all White Houses are a reflection of the strengths and weaknesses of the President and the way he goes about governing things. But there was something in the way President Nixon did things that led him, if there was something he really cared about, the people right there were going to run it for him. And, of course, it became his plan, which was destroyed by Watergate in the second term, to have these junior bunnies go out and actually run the departments. So for the first time, his second term Cabinet was not to be Wally Hickels and George Romneys, and all these imminent political elders, but -- wasn't Bud Krogh deputy secretary of transportation? He took all these kids and sent them out to run the departments. But actually, they had been running things from the beginning.

Timothy Naftali

Whitaker goes to Interior.

Christopher DeMuth

Whitaker goes to Interior, very, very similar. And, of course, a lot of it was completely -- there were a lot of very fine people in the Nixon White House, and those of us who were working for Pat, we were just trying to do a good job, trying to be effective and get things done. But there are all kinds of people in any White House, there are all kinds of people in any government, and there is not nothing to the checks and balances that the bureaucracy builds in to the civil service, and so forth. You do get, you know, different people looking at things, you do get blow back, and there were some pretty goofy schemes that were dreamed up in the White House that if they had actually been done through normal procedures, probably would have been caught. On the other hand, we never would have gotten -- we did this in two weeks. If we had just asked HUD to do it, we'd probably still be waiting.

Timothy Naftali

And what happened? They were bulldozed?

Christopher DeMuth

They were bulldozed. And if you asked me what was the long run effect, I don't know. 14th Street is a pretty nice place right now. Whether it came to be a nice place in the first year or two of the Nixon administration or whether it was in the 1980s, I don't know. But we did get some things done. And I think we actually did build a few basketball -- outdoor basketball courts. There were just some things to just permit a little bit of community life to spring back.

Timothy Naftali

Now, Ronald Reagan also was a little concerned about the permanent government. He had his own concerns. How did he sort of manage his impatience differently from --

Christopher DeMuth

He was -- he was -- he was very different than President Nixon. He was very respectful of the -- certainly of his Cabinet. He would bring his Cabinet into things, and he would defer to his Cabinet much -- I'm back at the White House. And the White House staff always thinks the Cabinet is not really with the program and not doing what the President wants. In Reagan's case, I would have, at the time, criticized Reagan for being too deferential. At that time, my job was government regulation, and we had this executive order where if a secretary of labor or of HHS, had a rule -- and I thought this was a bad rule, for one reason or another. I could hold it up for a time until we had a White House decision, which would sometimes be at the senior staff level, and sometimes if it was a real tough one, it would go right into the Oval Office and the President would decide it. Now, the few times -- the few times things went to the President, he went with the Cabinet secretary. So I came to realize that he was going to go with his -- he thought his Cabinet officials were the people that had to execute his policy. However, he had a reputation of being fiercely anti-regulation, which I used. So if I

was talking to a Cabinet official, you know, I'd say, "Well, you know, Ray, you know, we just have a disagreement here. I think we're going to have to go see the old man in the Oval Office." And he'd go, "Oh, no, no, I agree. I agree." Because people thought that if you went and saw the President -- and usually, these were pretty bad policies. They were capitulating to some interest group or some congressional committee chairman, and they really didn't want the President to know what they were doing. And, you know, word got out that he would go with the Cabinet secretary, if I went -- if it went to the Oval Office. But they would lose some face with him, because he realized that they were doing something that was not Reaganesque, and they were making a bad compromise.

Timothy Naftali

That's what I was going to ask you --

Christopher DeMuth

But he was very deferential. Nixon was -- Nixon would -- he would sometimes be very deferential. You may, in your histories, come across Secretary Hickel's innovation of open Cabinet dissent, where he was openly criticizing the President's conduct of the Vietnam War in public speeches and was -- on the inside, was saying this strengthens the decision -- this strengthens the administration because it shows that we have a diversity of views and so forth. It took Nixon a year to fire him. So he could be -- he could be -- it is part of the Nixon story. He could be very tough and gruff and conniving and purposive, but then he could become very, very passive and meek. And you never knew kind of which side was going to take over. But he -- but what he was comfortable with was having young people who were just completely loyal to him working for him and going and doing something, and figuring a way to get around the permanent government and just get it done. That was -- that was the thing that made him comfortable.

Timothy Naftali

How did you go from Model Cities to environmental issues?

Christopher DeMuth

In the -- this was very soon. This would have been in August of 1969. Within a week or two after the -- his -- the President's announcement of his proposal for the family assistance program. There was a -- I may be truncating things. Maybe it's September or October. But in very short order, the President put -- I forget the titles, but put essentially Bob Haldeman in as chief of staff, and John Ehrlichman in as head of domestic policy, which was the beginning of the evolution from the urban affairs council to the domestic affairs council, which eventually -- may have even been during Nixon -- certainly during Nixon/Ford, became a statutory office that was sort of a domestic equivalent of the National Security Council. John Ehrlichman was to head that. Pat was put -- kicked upstairs, so to speak, into the Cabinet. He was made counselor to the President. And at the same time, the President brought in Bryce Harlow, an old friend of his who had been head of the Washington office of Proctor & Gamble, and a long time inner circle Republican wise man. He came into the White House and Bryce -- Bryce actually did have a staff. He had Lamar Alexander, who is now senator from Tennessee. Pat had one or two staff people, but I went over to work on domestic policy issues for John, and John Whitaker, who took this portfolio of environmental policy. There were a couple of meetings I had with Ehrlichman and Whitaker, and one involved the President, himself, in this period. And it was really remarkable. He

said he was -- what I remember his saying was that he was thinking ahead to next year in his State of the Union address, in the beginning of the 1970s. And he thought that the big domestic issues in the 1970s were going to be the environment and women's rights. I did not know what he was talking about. If we googled "New York Times," 1965 through September 1969, women's rights and the environment, I don't think you'd find very much. But he had this very acute antenna. And I'm overstating it a little bit, because the following spring, 1970, was the first Earth Day. At the end of December, the National Environmental Policy Act was passed, championed by Senator Scoop Jackson, and the President signed it on New Year's Day. And we're just four months before that. So there were rumblings, there were rumblings. But I wasn't really sure what we were talking about here. And my charge from the President was to put together a group of officials from the different government departments that dealt with air pollution, water pollution, you know -- I looked around, and we made a list. There were pesticides programs. There were all sorts of land conservation, national parks programs in the Interior Department, probably a few other things. But there were all these programs. And they were spread around. Air pollution was in the Department of Health, Education and Welfare. Water pollution was in the Interior Department. Pesticides control was in the Agriculture Department. And there was a lot of criticism of all of these little programs here and there. The programs were weak. In some cases, such as pesticide control being at the Agriculture Department, people said this is like having the fox guarding the chicken coop. And I had a very broad portfolio. It was go out and find out what these programs are doing. Find out what is good and bad about them. And come back with a really good, strong reform initiative with the idea that it would be an important part of the 1970 State of the Union address with a message and legislation coming sometime in March or -- February or March, after the State of the Union. And that's all I was told with one exception, and that was to leave the Commerce Department and Maury Stans out of it. The President said -- and there was another congressional environmental champion, and not just Scoop Jackson, but also Edmund Muskie. And he said -- now, this was a meeting a little bit -- this was a little bit after my first charge. I was getting somewhat more precise orders. He said, "Now, Muskie, if he had his way, he'd just close down all of American industry." Kind of -- this is Nixon's very broad-brush way of talking. "He'd close down everything. There wouldn't be any private enterprise, no industry left in America. But if Maury Stans gets involved, we're not going to do anything. He'll bring all his businessman buddies in here, and they'll come into the White House, and they'll make sure we can't do anything in terms of coming up with some really tough rules for reducing air pollution and water pollution. I want you to come up with something that is reasonable and smart, leave Maury out of it. And I'll protect you. We'll let him know at the end. We'll let him know after we've done it, and I'll take care of that."

Timothy Naftali

-- the Oval Office or standing in the Oval Office, and the President is telling you he'll protect you?

Christopher DeMuth

Yes. Yeah. Protect me -- I'm just head of this little task force.

Timothy Naftali

Yes, but you're 23 years old --

Christopher DeMuth

Yeah, right. And we had people from BOB, now called Office of Management and Budget. This was pre-George Shultz. It was then called the Bureau of the Budget. And we had people from Interior, Agriculture, Health Education and Welfare, a few others. And we methodically went through all of the programs, and I asked people to give me their critiques. And the people from the agency and the people from the budget office, you know, they'd have very -- but we would sit around, we'd argue about these things. And in general, people thought that there were all of these uncoordinated efforts, and that they were very weak. The ability of the Federal Government to set pollution standards, and actually make them stick, was quite anemic. You had to go through a very elaborate process of proposing a standard and getting feedback. Once you came up with a standard, the states might or might not cooperate. If they didn't, the ability to actually change things was pretty limited. The two major arguments were the states cannot be effective environmental policemen because industry will just move away. There is a, you know, competition there, so we need to have national standards. And the second one was they've got to be not just tough, but enforceable. I mean if somebody, at the end of the day, is not complying with a standard, you've got to go in and be able to fine them so much that nobody is even going to think of violating the standard. So the proposals that we came up with were essentially strengthening the Federal Government's hand, vis-à-vis the states and localities, and making the government's ability to enforce its standards much stronger than it had been. That was kind of one angle. The other angle was to join all of these programs together in a single agency, which was eventually done. I -- I -- It was in '71, I believe, that we finally did it. This was pre-Watergate. The President had very broad powers to create new agencies unilaterally. He would come up with a reorganization plan. Congress would have, I think, 90 days to say no, and if Congress didn't say no by joint resolution, it would become -- it would become law. And the Ash commission was a -- Roy Ash, a very close friend of the President, somebody with a lot of management experience, was helping him. He had a commission. He was proposing all sorts of ways to improve the government, and this was reorganization plan number two.

So those were -- so those were our two ideas, and at the same time, there was a great deal -- there was a lot going on in Congress. And what eventually became the Clean Air Act, the Clean Water Act of the early 1970s were compromises between what the administration wanted and what the Congress, meaning the other party, because it was in the hands of the Democrats, and especially Muskie and Jackson wanted. So we ended up with a compromise. There were -- you can ask me a question, but there were two things that I might just get on the record here that I thought were -- that I thought were interesting. The first was that in those days, it was not clear that all of these expenditures, and, you know, we have spent hundreds of billions of dollars on environmental improvements since 1970. And you can be very critical of these programs. And I have been. But for government work, they have been very successful programs. I mean we've wasted a lot of money, we have done a lot of things wrong, we've learned along the way. But when I was -- in the summer of 1970, if you looked out of this -- if you looked at the horizon in Washington D.C., you were looking at a very dark brown layer of pollution -- it smelled. And there is no industry in Washington. It was all automobiles. The level of air and water pollution is something that very few people could even conceive of, and so it's been a -- it's been a very, very great success. It's been -- the government at its best. And I mean it's not been perfect, but it's done a lot. We knew that there were going to be a lot of expenditures, and it was not clear at the beginning that these were to be private expenditures, where you just make a rule, and the automobile manufacturers or the power plants or the aluminum smelters or whatever would simply have to comply, and the price would go into the cost of the product. We kind of think of that now as being a good idea. You're internalizing an externality, a car really should cost more so it doesn't impose

on other people. But at the very beginning, it wasn't -- that wasn't clear. And our initial plan for EPA had a different set of initials, it was the EFA. It was the Environmental Financing Authority. And the antecedent was actually some of the big Rockefeller financing authorities in New York. It set up a financing authority to redevelop a part of town, or for this, that, or the other thing. It would borrow money. It would have borrowing authority, it would provide money. And to an amazing degree, way down the line, we were thinking of these as being government expenditures. And it was in the course of, you know, thinking this through, and how it would actually work, you know, making grants to the automobile companies to put pollution devices on their cars, you know. It kind of reminded me of the old Model Cities Program. They'd come in and they'd say it's going to cost twice as much as it really is, and then we'd give them money, and then we'd have to audit it, and there would be fraud, and they would be using it for other things. And this idea, which is now conventional, which is that the government says this should be the pollution rule, and then people have to comply with it and it goes into the costs of their products, actually came out of the debates within the administration. They weren't really debates. We were trying to figure out what to do. There were no significant environmental policies at all. And that was actually a development that if you asked John Whitaker, John, I can remember, he has -- we have all of these papers on the Environmental Financing Authority, which, you know, we worked on it and worked on it, and the more we worked on it, we thought, this isn't going to work. So we dropped it. Secondly, in the -- in December of '69, I went up to talk to some economists at Harvard where I had gone to school about the environmental problem to tell them what we were doing. I was trying to get ideas from outside of the government. I had been talking to environmental groups. There were environmental groups in those days. You had to look for them. Talking to people in the government agencies, talking to business people. But I wanted to talk to people from outside of the ambit of these policies. And I talked to some economists, and they said, "Young man, everything you're doing is wrong. These environmental problems are what the economists call externalities." There is a -- and this led me away from the Environmental Financing Authority. But it led me in a different direction at first. These are economic incentive problems. What you don't want is more rules, and command-and-control, and somebody figuring out we, in Washington, know how to make tires better to reduce pollution. So we'll tell you how to build a tire, and you've got to comply with these edicts from Washington. And then you've got a lot of lawyers that can take their lawyers into court. That's not what you want to do. Take whatever it is that you want to discourage, some kind of air pollution or water pollution, and put a price on it. Just do it through taxes. Or do it through auctions.

You know, if a lake can only take so much pollution, say, you know, it's only going to take 1,000 units and we're going to auction it off. And now there are 200,000 units, so it's going to be a pretty high price. And starting two years from now, you've got to have a permit. Or put a tax on it. And they pointed to some studies in Europe where in some industrial areas, they'd used taxes and fees, not regulation. And I became a convert. I read all these books. And I sent memos out to all of the people on my task force saying, time out, you guys. We have been making a big mistake. We want to do this differently. And I laid this out. Well, it was too radically different from anything that anybody was thinking about to make any headway. I couldn't get this group of people I was working on to take it seriously. But I did try to -- I started working on it myself, and I prepared some -- I prepared a few documents, proposals, and Whitaker and Haldeman were intrigued. They had this -- they were intrigued by this. Enough to get some of these ideas into the Oval Office. And the one person who really liked these ideas was Nixon. He thought this was terrific stuff. And we had -- and I have to say at the end of the day, I kind of disappointed him. And if you study environmental policy, as I have for many years, I was an academic, I worked in the government, and we do a lot of work on it at EPA. I simply didn't have enough traction or intellectual wherewithal to bring these ideas forward. And I

could only develop them in very kind of rough forms. But we did have, until the very last minute in the spring, a proposal to deal with a problem which doesn't exist anymore, which was actually a big problem. There were national commissions, and you could read about it in the "Washington Post," a big environmental problem, abandoned automobiles. People just used to just abandon their automobiles. There were hulks of automobiles sitting everywhere -- not just on people's property, but it was -- it was a pretty significant -- a pretty significant problem. We spent a lot of time worrying about this. And I proposed that there be a fee on the sale of every new car which you got back when you turned in your car for disposal. Nixon loved the idea. And at the end -- in the end, we did not propose it. It became -- it was too complicated. None of the government agencies would cooperate with me. These professors at Harvard were no good when it came to drafting legislation. But we did get -- and the President did propose in his environmental message -- I'd have to go back, but I'm very confident that it's right there in the message, that we have a national tax on sulfur dioxide emissions. Our big approach to sulfur dioxide emissions was going to be to tax it. The President's legislative office could not get a single congressman to sponsor the legislation. So it went nowhere. The President said he was going to propose it, but he's not a member of the House or the Senate, and the House has to start any revenue raising measure. And everybody -- people thought we were crazy. But the President, he liked these ideas. I have to say a lot of the failure goes with me, but -- for not getting them moved along very far. But they were just too far over the horizon. They were not part of the conversation --

Timothy Naftali

Two things.

Christopher DeMuth

They have become a part of the conversation.

Timothy Naftali

They certainly did. They shaped Bush 41's environmental policy.

Christopher DeMuth

He did. He did a lot in that area. He did a lot in that area. And if you look at a lot of the things that he did, yes, I agree.

Timothy Naftali

Who were these professors at Harvard? Let's give them some credit.

Christopher DeMuth

There were two in -- the professor at Harvard, I have been a little bit loose -- there were a couple of others but the main one was Bob Dorfman, Robert Dorfman, a prominent economist and price theorist, who put me on to some other people there. But most importantly, some people here in Washington had a group called Resources for the Future, which is still right up the block. They do excellent work on environmental policy, and they had a man named Allen Kenase [phonetic sp], who was the godfather of these ideas. And there was a man at the University of Toronto, Professor Dales,

and it was primarily Dorfman, Kenase and Dales, who had written -- there were books on the subject that they had written in the late 1960s. They documented it. I bought all their books, I showed them to all my buddies at the Interior Department, who shook their heads.

Timothy Naftali

So who was your case officer? Were you reporting to John Whitaker or were you reporting to Ehrlichman? When you would have these -- as the task force --

Christopher DeMuth

I worked very closely with Whitaker on almost a daily basis and occasionally with Ehrlichman as often as I wanted. It was not -- it was not a highly hierarchical situation. And then as we got into December, there was a lot of interest, and we -- and when we made final decisions on the legislation, that's when we brought the Commerce Department in, and they were really, really, really unhappy. And we had some big -- we had some big tough debates, some of which had to be resolved in the Oval Office.

Timothy Naftali

But this was -- who was on the task force with you? Do you remember?

Christopher DeMuth

Not really; I can remember a few names. There was an assistant secretary of the Interior named Karl Klein. I forget where he was from. I think he may have been from California. And they actually had a division at the assistant secretary level in charge of water pollution control. And he had -- his nickname was Clean Water Karl. And he had these buttons, "Clean Water." You'd walk into his office, he'd give you a "Clean Water" button. Remember, these were days when the Cuyahoga River was catching fire. The water pollution was a very serious problem. And it was a relatively anemic program. And he had a -- so it was Klein, and then he had a civil -- a career government man named Dave Dominic that worked for him. There was a man named Al Alm at the budget bureau who later was deputy administrator of EPA under Bill Ruckelshaus in the Reagan administration, not Nixon, but in the Reagan administration. And I forget the gentleman's name who is head of the pesticides program in agriculture. And a very smart kind of a scientist engineer who is head of the air pollution program at HEW.

Timothy Naftali

So all these people were reporting -- you were their chair.

Christopher DeMuth

Yes.

Timothy Naftali

Twenty-three year old, you were their chair.

Christopher DeMuth

Yes.

Timothy Naftali

Putting together this -- and how much time were you given to produce this report?

Christopher DeMuth

Well, the basic contours -- we started work in September, and the basic contours were done in December. Then I started working hard with Ray Price on the State of the Union address. And as soon as we got that done, we started working on the environmental message, which my faulty memory is telling me was in February, it may have been in March.

Timothy Naftali

Tell us about choosing a head of EPA.

Christopher DeMuth

This happened -- I left the White House in the fall of 1970 to go to law school, but I continued to work on special projects. I had a few things I was doing for Ehrlichman, and I wish I could remember what they were. One of them -- there was a -- there was a big Stockholm conference on the environment. It was the first international conference on the environment. And I remember Senator Baker was somehow involved. There was a fellow on his staff named Rob Mosbacher, who is actually the son of the man who was -- who has served in the Cabinet of several Republican administrations who is now head of the Ex-Im Bank. He was a baby like me at the time, but he was here in Washington. And I was doing some things on the Stockholm thing, working with the State Department. And I would -- I'd fly out to Washington and see Ehrlichman on occasion, and see Whitaker on occasion. And we talked especially about the development of EPA, whether we were going to have some sort of a public financing bond issuing authority in it or not, and personnel matters. So I was kind of -- I was a kibitzer. They would call me up or they would send me some stuff and give me little special projects. There was an amusing incident that John Whitaker could tell you about firsthand; I can only tell it secondhand, because it was kind of on the telephone. When it came time to name somebody, John's view and others at the White House, including Ehrlichman, is that it should be Bill Ruckelshaus, who was an assistant attorney general in the Justice Department. And they made this proposal to the President, and he was very resistant. They couldn't quite figure out why. He just really seemed very, very unsuitable. They didn't even know he knew who Ruckelshaus was. He just didn't seem -- now, in fact, anybody that knows Ruckelshaus knows that he's very, very smart. Has a very appealing public personality. He's very principled. And Nixon seemed to have some questions about whether he was really ethical, and whether he really would have a strong public persona for the job. And they couldn't figure out what he was talking about, because he -- I forget what they were, but Ruckelshaus did have a few -- he had a few stripes on his belt. He had done a few things that caught the White House's attention. He was a very, very, capable man. It turned out that all -- that during these several weeks of time, the President had thought that they were referring to another man. I forget his first name, his last name was Roudebush, and he had run for -- he had run for the senate in Indiana in 1970, and gotten roundly defeated, and let me just say that he -- he had a reputation as being

-- I'm not vouching for this, but this was what people said, of being a fairly unsavory character, with somewhat questionable backgrounds in his personal dealings. And if you saw a picture of him, he was kind of pudgy, and this is the person -- and Nixon had been out campaigning for him. And I think he had gotten -- I forget who beat him, Bayh, the elder Bayh -- I forget whom. But this caused a certain amount of consternation in the White House, that the President was so resistant, because -- and he had all these contrary ideas. But he agreed. He said, okay, we'll make this fellow head of EPA. If you guys say so, I'm sure your judgment is right. So the day comes for the announcement, and Ruckelshaus comes in, and Nixon is obviously a little surprised as he comes in, and they have a little small talk, and they go out to the press room, and Nixon makes the announcement, and Ruckelshaus says a couple of words, handles himself masterfully, and the President comes back in the Oval Office, I think this is with Whitaker, and says, "Boy, you were right. He was terrific. He was really good." And they had a little conversation, and Nixon let it be known that he thought it was this other person. But, of course, the astounding thing was that the President thinking it was this other person, was willing to go ahead with him. [laughter] And my guess is that -- I have a long history. Republican -- I will just say that the President did want to do the right thing, and when he focused on it, he had very, very -- he had very impressive judgment as to what policy, good policy consisted of. But it was not at the top of his -- you know, he was worried about Vietnam, he was -- you know, he had other things on his mind. And so, if something was like third or fourth on his list, and he didn't really have time for it, he would be amazingly deferential to the people on the staff. I mean -- and the fact that he would go ahead with what he thought to be a disastrously bad appointment is an example of that. [laughter]

Timothy Naftali

How important was the environment to him? I mean you had this amazing exchange, or at least you listened to him, where it appeared that he would run the traps for you, would actually run interference for you. But in the end, were you able to assess how important -- where on the list of priorities the environment fell for President Nixon?

Christopher DeMuth

He was -- first of all, he was not a great outdoorsman. We have these pictures of him walking on the beach --

Timothy Naftali

Wing tips.

Christopher DeMuth

-- and so forth. But he was not -- he was not a fisherman. He was basically an indoors kind of guy. And so I think it was -- I think he recognized it as an important political issue, and I think he recognized it as an important function of government, which was not being handled very well. But I -- but beyond that, I never saw anything that went -- that went beyond that. And once he -- you know, when he actually beared down on something, he was very sophisticated. He had very good judgment, and that was the case here. And I just described how he wanted a moderate program, but he wanted the government to get going with the responsibility it had handled poorly. He wanted a serious program. He had a sense of the politics, sense that Congress would take things too far, and he wanted something moderate. He understood that business people would undermine it and defeat it, so he

wanted to keep them out of the loop until he had made final decisions. So I think he approached it very well, and I think he had the usual respect for the out of doors. And the environmental problems in the late 1960s were darn serious, and I think that he -- he recognized that. But I go back to that first insight he had. Said, "This is going to be a big political issue." We've come to see, in watching other developing countries, that they get to a point in their development where they have a significant middle class, and they've gotten to a certain level of income where suddenly those belching smoke stacks are not a sign of progress anymore. And the public wants you to do something about it. And I think the President saw that pretty early on, and saw that as a legitimate political demand that he wanted to respond to.

Timothy Naftali

And this insight he makes in front of you and Ehrlichman, and was Whitaker there at that time?

Christopher DeMuth

Yes.

Timothy Naftali

I also wanted just to close a loop on that wonderful story about -- about 14th Street, and we'll be wrapping up in a moment.

Christopher DeMuth

Yeah --

Timothy Naftali

Who asked you -- who asked you to be a line officer to get that done? Was it Moynihan who said, "Guys, do this"?

Christopher DeMuth

No, but nobody ever -- nobody was using that language.

Timothy Naftali

Of course, not --

Christopher DeMuth

I'm really being --

Timothy Naftali

But you're right. But who asked you to say -- you know, go and be active and do this. Was it Moynihan?

Christopher DeMuth

It would have been Pat, yeah. It would have been Pat. But I do remember -- I don't know if it was from Pat. I don't know who it was from. It doesn't sound very Pat-like, to leave Romney out of it. It was very much like when I was working on the environmental things, leave Maury Stans out of it.

Timothy Naftali

Did you win those battles with Commerce?

Christopher DeMuth

Yes, yeah.

Timothy Naftali

And did you have to bring the White House -- the Oval Office into it?

Christopher DeMuth

There was a very -- there was a difficult period there where the general counsel of Commerce, Jim Lynn, later to go on to very distinguished service. He was head of OMB. He was chairman and CEO of Aetna. He was, at the time, general counsel of Commerce. And they kind of had been brought into these conversations a little bit late. And they were -- they were very strongly opposed. And I'm putting things in general terms, but there were specific things they didn't like. I don't remember what they were, but there were specific things they didn't like. And what made it difficult was that in the end, I went in to see the President, nobody else. And I laid out -- I said, "The Commerce Department is very strongly opposed." And I said, "Here are their arguments." And I tried to, you know, be -- I tried to be a neutral party, even though they were opposing my handiwork. I said, "Here are their arguments, here's what they want. Here are the arguments that I think" -- and we went through these, and the President decided to do things the way we had proposed to do. And it went down very hard with the people from Commerce, both the way the process had worked, and what the results were.

Timothy Naftali

For scholars and others listening, when you say Congress wanted to go too far, give us an example of something they had wanted that when it came time to establish a compromise, was dropped.

Christopher DeMuth

We're now getting into the period where I had left, so I really was not involved in the details. But I would say that we ended up with a program where the states would initially establish -- each state would establish state implementation plans. The Federal Government sets -- and this is essentially the program we have been living with since then. The Federal Government sets a goal in terms of the pollution levels we're going to get to. And then the states come in with a plan of how they're going to get to it in their state over a certain amount of time. The Federal Government reviews it, and then agrees or disagrees that that will actually achieve the national objectives. And then the states have the

primary role in getting to the -- getting to those results through permitting all sorts of local activities. You would find that the -- if we went back and looked at the original Muskie proposals, that the language directing the Federal Government to set national standards would have sounded tougher. We're talking about words. So that the standard -- is the national standard going to be a set standard for each pollutant such as to guarantee a healthful and pleasing environment for all. Or is it --

Timothy Naftali

Okay.

Christopher DeMuth

To be a healthful environment consistent with available technology?

Christopher DeMuth

So if I could just --

Timothy Naftali

Sure.

Christopher DeMuth

We're talking about legislation. So we're talking about words to -- and it was just more or less -- less robust wording. But you would have found us, between the administration and the Congress that Congress wanted much tougher national standards sooner. And they wanted the Federal Government to have much more power in the way these things were designed with much less latitude to the states. I think some people would tell you that the law that came out, the water and air laws in the early 1970s were closer to the -- would be closer to what Muskie wanted than what the administration wanted. But I can't really -- I don't know -- I don't know that that is so. If we actually looked at the language of the statutes, we would both look and say, well, it doesn't sound that different to me.

Timothy Naftali

How are you going to mandate this behavior? Was it through no taxes, but through penalties? How were you, in a sense, going to get this kind of behavior?

Christopher DeMuth

Through penalties -- it would come down to a requirement that a given power plant had to achieve a certain amount of pollution, had to go from current levels of pollution to a much lower level in a certain period of time. But it would also come down to our -- everybody sitting around the table knowing how they would do that. It would mean that they were going to have to install scrubbers. And the scrubbers would have to be of a certain technology. And one of the great debates, and I think one of the least successful and most wasteful aspects of the early stage environmentalism is that it was very technology driven. We would be talking about standards, but what we would really say is you guys are going to buy scrubbers from these guys, and you're going to put them on. So they were really talking

about how the plants were going to be designed and operated, rather than simply saying you get to a certain level, and we don't care how you do it. We're just going to come back, and we're going to look at what's coming out of the stack.

Timothy Naftali

So in retrospect, what you'd criticize is the micromanagement, microeconomic rather than macroeconomic?

Christopher DeMuth

Yes, I'd say the general wisdom on environmental policy is you want performance standards, not -- you want to measure outputs, not inputs. You don't want to get in the business of prescribing how every factory in America is designed. And EPA is still way too far in that direction, and that it is better simply to say we want to get to this level of pollution, and your emissions have to go to a certain level, and you figure out how to do it. And we, from the government, are just going to decide what is a healthful or aesthetically pleasing level of quality, and we'll tell you what that implies for your operations and you figure out how to do it.

Timothy Naftali

When you came back into government in the Reagan period, and you looked -- I mean obviously you're looking at environmental regulations, what had gone right or what had gone wrong since 1970?

Christopher DeMuth

We were coming in at the end of an administration which had been very hostile to industry. I can remember in the first week in the Reagan administration, going over to EPA, and getting off on one of the floors, and there was a big sign that said, "Shorter living through chemistry." In those days, DuPont used to have a slogan, "Better living through chemistry." And so -- the idea that the purpose of the chemical industry is to poison people. You know, there were actually a lot of people at EPA that believed that. So there was a level of hostility and real ideology. It wasn't so much pro- environment as it was anti-business. We were dealing with that, and we had to work with the change of culture. I would say that in general, the most serious problems at that time were the ones that I've just described, minute prescription of the technologies that had to be used. Often that would mean that particular interest groups would be organized around these programs the way they would be organized around a farm program. And it was easy to point out how we were spending fabulously more money than we needed to. That is, we could get to the same environmental result we had with vastly less money, or with the money we were spending, we could get much cleaner air and water, because of the technical inefficiency of a lot of these air and water programs, which have been improved somewhat, but I still think we have to really get to, you know, third generation, high tech, really effective environmental policies. We still have a ways to go.

Timothy Naftali

Was that the year when the idea of vouchers started with the companies basically trading their ability to pollute?

Christopher DeMuth

Yes, yes, and there were several instances where in the 1980s, we actually applied those. We started out very skeptical toward a special program to phase out lead in gasoline. The environmental -- the air standards translated into emission standards for automobiles, we're going to mean the end of leaded gasoline anyway, because the lead additive was inconsistent with the technology that was being used to control emissions. So no new cars could use it, but there were still a lot of old cars on the road that still used lead. We came in very skeptical of that regulation. We thought -- our initial instinct was just let those old clunkers, you know, work their way out of the fleet on their own. But when we looked at the data on the health effects of lead, it was clearly pretty, pretty serious. And there was no question that accelerating the pace of removing lead from the stream of usage in automobiles at a much faster rate than we were going to get by just letting the old clunkers retire, was going to be beneficial. I mean it was just -- and OMB was on the -- in favor of tightening this regulation from what we had inherited from the Carter administration. That's how strong it was. At the same time, it was clear -- this was a clear area where you could use markets and essentially vouchers, because there are a lot of different petroleum companies. Some of them -- refining to a higher level, is a substitute for just pouring lead additive in. So they were going to have to do more refining. Some firms had a lot of refinery capacity. Some firms had no refinery capacity. So what the phase-down program was going to mean was that the firms with a lot of -- with inadequate refining capacity were going to be shipping their stuff on the highways and having it refined, and then having it shipped back. It was going to be a lot of waste. So we put in, and EPA was -- This is an example of their kind of anti-market bias. They were very strongly opposed to this. They couldn't believe that we, at the White House, were in favor of an accelerated lead phase-down program. But then we came in and said, there is no reason to have all this stuff being shipped around on the highways. Let's just have a trading program, and everybody has to get to a certain level, but you can buy credits from somebody else, so one firm can refine it more than they need, and other firms can refine it less, and you can point out that there would be no lead hot spots, it would all get kind of worked out into the system. It's a far more efficient system. And I believe that there have been a lot of retrospective studies that have shown, as an economist would predict, that not only did it save a lot of money, but that it had very significant environmental benefits, because it meant that the trajectory of the phase-out actually went much faster than anybody predicted. It was just a very smooth system for getting the lead out.

Timothy Naftali

Were Anne Gorsuch and James Watt in favor of this phased -- this phasing out?

Christopher DeMuth

The -- I'd have to think back. I'm not absolutely -- I forget when Anne left. But I believe she was in favor of it or she was not there. My guess is if we went back, my guess is that it was Bill Ruckelshaus who had his signature on that particular regulation.

Timothy Naftali

What did you do for your last few months in the Nixon administration before you left, after finishing the work on the environmental statement?

Christopher DeMuth

I -- those last months were spent on this -- these questions of organization and financing, the EFA issue, and the beginning of the legislative -- legislative skirmishes. I -- during those last months, though, I have to say that I spent a good deal of time on the west coast. I had -- I was going around with a girl and she -- a young woman, excuse me, and she went back to Stanford in August of 1970 to be a senior, and I am working here on the East Coast. I thought I'd never see her again. But I worked right down the hall from Herb Klein, and Herb and his wonderful assistant, now deceased, Ginger Seville [phonetic sp], kept track of all Presidential invitations. The President would get, I don't know how many scores, hundreds every day. People would invite him to speak to this group or that. And Herb and Ginger would send out the polite decline. But then they would file them by type of group, by date, so that if suddenly we wanted the President to give a speech on healthcare, and we looked around, you know, he really -- he hasn't been to Oklahoma, there is going to be a tough race there next year, what's going on in Tulsa or Oklahoma City in the next two weeks, Ginger would go to the files and she would figure out the optometrists are having their convention -- that's it, write them back, tell them the President would like to speak to their convention. So I went -- I toodled down to Herb's office, and I asked Ginger what was going on in the Bay area in the fall. And these days, this would be -- this would violate 25 different ethics rules. There is nothing intrinsically unethical about it. You can judge for yourself. But it was perfectly conventional. Although actually, I think I dreamed this up, because nobody had asked Ginger to do this before. I said, "Tell me what's going on Friday night or Saturday morning in the Bay area throughout the fall." And we kind of pulled out these letters, and I went back to my -- and I sat down at my Selectric, and Mill Valley Garden Club would be having its Friday night session, and I would say, you know, the President, he still can't make it to your October meeting. He has to go to the NATO minister's meeting, and there is just no way he can get there. However, I'm a young man on his staff and I work on environmental issues, and perhaps I could talk to your members that might -- you know, it's a garden club, you might be interested.

And I would write to them and they could fly me out. I don't think they could pay me, but they could fly me out. So the -- in the late summer and in the fall of -- in the fall of 1970, I was working very hard, six days, five days a week at the White House. I made the entire home Stanford football season, I was there every weekend. Give a little speech on Friday night, and then get myself down to Palo Alto. And in the meantime, I got to know Point Reyes, very important area of land, and the girl I was wooing, the young woman I was wooing, had -- was a great champion of Point Reyes. LBJ had had a -- it was part of his guns and butter strategy, that he would announce a new national park or wilderness area or seashore, but wouldn't appropriate the funds to pay for it. But he'd have -- he'd -- you know, he or his Interior Secretary would hold a press conference, they would have the map, they'd get all the credit designating this area. But then only buying a tiny little section of it, which was terrible policy, because speculators would come in, and things were all a mess. Everybody knew that at the end of the day, Uncle Sugar was going to come in and buy the land. So there was a lot of potential for abuse. And one of the things we did in the 1970 legislation we proposed, we put in a lot of money to catch up on the actual purchases, not getting the credit for announcing new areas, but actually paying for stuff that had already been announced. And I have to tell you, there were very sound reasons to put Point Reyes at the head of the list. The President was very popular in Southern California, a little shaky up there in the Bay area and the north in his political support, doing a big environmental thing on the seashore would be a good idea. But it would also be really good for me to impress my girlfriend. So I really got very interested in Point Reyes. But it interested him, too. And when you go back, Republicans often don't get as much credit as they deserve in the environmental area, but EPA was created by Richard Nixon. The first modern environmental statutes were proposed by and signed by him. And he did a lot of

good work in paying for some great treasures. And anybody that visits Point Reyes in California should say thank you to Richard Nixon.

Timothy Naftali

Well, Point Reyes, was it already a national park, or was it just a little --

Christopher DeMuth

It had been named as a national park, it just hadn't been purchased.

Timothy Naftali

So there was nothing purchased at all?

Christopher DeMuth

A small part -- a small part of land had been purchased. And there were a lot of people that -- other things that they were going to be doing with the land, and it had gotten to be a very messy situation, and a cause célèbre. And I don't know that we paid for it all in one year, but it was very fast. We came in and we just did the whole thing.

Timothy Naftali

So I have you to thank. I believe it has sea lions there, right? Aren't there --

Christopher DeMuth

Oh, yes, they have sea lions, and rare species of elk and a lot of kelp.

Timothy Naftali

I remember the sea lions. So it's love that we have to thank -- oh, that's all right. It's a good story. Why did you leave, though? Why did you decide to go?

Christopher DeMuth

I had two reasons, and I suppose the dominant one was that I was -- I had been leading a very heady life, and I really enjoyed it. I'd really had been working very hard aside from those excursions to Stanford. And I -- and I had come a long way for somebody who is very young. And I looked around Washington, and I saw a lot of people who had been very fancy people when they were young that stayed around too long, because they had no independent life of their own, so they had to figure out a life in Washington. And I -- I had always thought I would go to law school. My experience in the environmental task force had turned me a little bit away from law. I had become more interested in economics. And the two came together, the interest in law, but now getting dominated by economics led me to be interested in going back home to Chicago to go to the University of Chicago, which had a very powerful and growing program in economics and law. So that was attractive to me. And I thought the idea of just leaving and going out and building a life of my own, I could come back to Washington

some day, was probably the right thing to do. The second thing may sound a little bit self-serving, but I'll just tell you, I mean it was on my mind at the time. At the time of -- there were -- there were a lot of people at the White House -- there were a lot of young people whose judgment and discretion I was extremely suspicious of. And they tended to be the people that later got into a lot of trouble. Not entirely -- if you'd asked me who the people -- the good people I thought on the White House staff, I certainly would have included Ed Morgan and Bud Krogh. I still include that today. I think they're wonderful people. But there were some people that I had a very low opinion of, who had, I thought, a frightening amount of power, and it made me very, very uneasy. And the aftermath of the Cambodia invasion, some of these people, including Jeb Magruder, came up with this idea that the young people in the White House should go make speeches on college campuses. It was -- it was a terribly ill conceived idea. It was just a -- it sounds fine to go out and give speeches and explain administration policy. The way it was done was frighteningly inept, and I can remember a group of us had a meeting with the President in the Cabinet Room afterwards, and I was not behaving myself. I said I thought the whole thing was completely misconceived, it never should have been done, and I thought really gave the administration a black eye. And he agreed -- he agreed. But there were -- but there were a lot of young people who had a lot of authority, whose judgment I thought was very poor. And I -- I was just feeling uncomfortable about being part of it. I don't want to sound like I was, you know, prescient or that I saw a lot of things. I just saw some things there, and in retrospect, I think it was this business that we were being line rather than staff, and that there was a lot of variety of human character in the White House, and a lot of discretion was falling into the hands of some bad people. But there were some good people who made mistakes in Watergate, and there were a lot of good people in the White House, and there were some people that I -- that actually I found very colorful and enjoyable people. I always loved Chuck Colson, for example. I thought he was endlessly amusing. And I always thought the line about running over my grandmother -- he was making a joke, you know. Humor and irony often doesn't work in politics. So I don't want to pretend that I had this great judgment. But there were some -- there were some bad stuff going on.

Timothy Naftali

Did you work with Dwight Chapin?

Christopher DeMuth

I did not. I knew Dwight, and I would bump into him, and I had friendly, always very friendly relations with him. But I did not know him.

Timothy Naftali

What was your impression of Haldeman?

Christopher DeMuth

I thought that he was -- I thought of him as a very narrow person. And I think in retrospect, I was probably unfair. I look back and I see some good things about him that I didn't see -- his kindly side. I saw him as a very narrow person, and I would have included him as somebody whose judgment I was unhappy about, although he was not a young person. But I had enormous respect and fondness for John Ehrlichman. I enjoyed him very much. And we never had a discussion where I didn't feel that he had a very large view of the interests involved. And I was in law school during Watergate, and I don't

think there was anybody as shocked as I was, that -- I was shocked that Bob was involved to the extent he was, but I could not believe that John was. I was just staggered. So my judgment was very deficient in these matters.

Timothy Naftali

Because I'm going to share this with the Reagan Library so they have it, too, I have one question about deregulation. In the early 1980s, you were there, I think, when Garn-St. Germain was passed, weren't you? The deregulation of the S and L industry?

Christopher DeMuth

Yes, yes.

Timothy Naftali

In retrospect, was that deregulation handled well?

Christopher DeMuth

Well, it doesn't deserve the name deregulation. It was not -- I mainly dealt with executive branch things, and there is this odd business where a lot of regulation goes on by agencies that are supposed to not be part of the government, not part of the executive branch. So it was not a primary concern of mine. But we were watching it, and I was working at OMB, and so we were seeing this on the budget side. I didn't think -- it never would have occurred to me to call it deregulation. We were telling private firms, you go out and take all the risk you want, and if things go badly, we'll take care of it. If things go well, you get rich. If things go badly, we'll take care of it. That is moral hazard on stilts. That -- deregulation means that private firms take the risks and they get the reward or lack of reward, depending on -- it doesn't mean the government comes in and provides you with insurance and lets you do anything you want.

Timothy Naftali

I meant the fact that there used to be -- that their ability to give short-term deposit interest rates was actually regulated, and then that was lifted, because they were under such pressure due to the fact that rates were rising with inflation.

Christopher DeMuth

That's right, that's right. And -- but the difficulty was that they were given the authority to set their prices, but they were not given the responsibility to live with the results. So they made lots and lots of foolish bets. Actually not foolish, as far as they were concerned. But very bad for -- not -- I would say non-economic, non-economic bets. I don't think anybody wants to go back to regulating interest rates anymore. But we want the firms that have the freedom to use the pricing system to live with the consequences.

Timothy Naftali

Why did we basically give them the FDIC protections? I mean we increased the amount of money that we protected in people's accounts.

Christopher DeMuth

It was a catastrophic compromise. There was pressure to lift the rate ceilings, but there was also pressure to maintain the government insurance program, which had a sacrosanct quality, went back to the New Deal, it was one of the things that supposedly saved us from the -- saved the banking system during the Great Depression. And the idea of changing that around, which, of course, since has been done. I mean there is still government deposit insurance, but the pricing for that insurance is very close to a market price, and it's really a risk pool among the banks rather than something with a big government subsidy.

Timothy Naftali

Was this one of those examples where President Reagan sort of accepted an argument from one of his Cabinet secretaries?

Christopher DeMuth

I have to -- I have to beg off. I just don't know. I wish I knew the answer to that.

Timothy Naftali

So it didn't come up to -- at OMB --

Christopher DeMuth

It was not something that I was involved in on what we did with that legislation. I would say I'm confident that we were -- that we at OMB argued against that legislation. But exactly what considerations the President -- led the President to sign the bill, I don't know.

Timothy Naftali

Because when he signed it, he said this is one of the most important pieces of legislation to deregulate --

Christopher DeMuth

Did he use deregulation?

Timothy Naftali

Yeah.

Christopher DeMuth

Oh dear, I'm really sorry about that. Besmirching the good name of deregulation.

Timothy Naftali

Last point.

Christopher DeMuth

He liked lifting price controls. Wherever the government was controlling what private people did, he was all for getting rid of that. And he had a little bit of a soft touch for the Depression-era financial programs, insurance programs.

Timothy Naftali

What effect did your experience in the Nixon administration have on your intellectual development?

Christopher DeMuth

I would say two things, but at this point, I'm repeating myself. Seeing the governments -- seeing government programs in action had a very great effect on me, and led me in the direction of being a limited government conservative, being a skeptic. Not -- I think government has all sorts of important responsibilities, but seeing from the inside how badly it executes many policies was really shocking to me. I had no idea that things were so driven by narrow parochial concerns, how lofty rhetoric was used to justify projects that nobody could seriously think were promoting the public interest in any version. So it led me to be something -- a very strong skeptic of a lot of the things that government does, and very much in favor of programs such as using economic incentives to take discretion away from government agencies. And secondly, it led me to take a serious interest in economics, especially in the environmental area. When I came to see how it was possible in theory to construct policies, it would be much more powerful and much more effective than anything people in Washington were thinking about. And that is probably what eventually led me to the think tank world, because in think tanks, what we do is we try to construct policies that are not just a little bit better, but much better. We try to work over the horizon, kind of beyond the scope of currently polite policy discussion in Washington, and to propose things with real reach in them, and build them up, and nurture them and develop them so that at the time of a crisis or at the time you get an inspired leader that can grab them and make them work, we might put them into practice.

Timothy Naftali

Who was it in the George W. Bush administration who supported your view of the counselor?

Christopher DeMuth

Nobody.

Timothy Naftali

Nobody?

Christopher DeMuth

No, you know, it was not a big thing, but I suggested it to various people, and it was just not -- they couldn't imagine somebody there that didn't have a job.

Timothy Naftali

Mr. DeMuth, thank you.