

Timothy Naftali

Hi, I'm Tim Naftali. I'm Director of the Richard Nixon Presidential Library and Museum. It's November 15th, 2007. I have the honor and privilege to be interviewing Professor Arnold Weber today in Evanston, Illinois. Professor Weber, thank you for joining us.

Arnold Weber

Very pleased to be with you.

Timothy Naftali

Let's start with how you met George Shultz.

Arnold Weber

Well, I was a graduate student at MIT and George was on the faculty there, and he was part of a small group that specialized in labor economics. And I had just gotten out of service and looked at the menu of potential schools. And I must confess, the general criteria was, "Where was it easiest for my wife to get a job?" And so I went to MIT, Boston being superior to Madison, Wisconsin in that respect. And George was on the faculty. And that's where I encountered him and worked with him. And at that time, he was also away -- for a year, I believe -- being on the staff of the Council of Economic Advisors, where Arthur Burns was then the chairman, and it was that connection, as I understood it, which paved the way for George's career in government, because Arthur Burns was so impressed by him that when Nixon won the Presidency, it's interesting, the Secretary of Labor was a position that traditionally organized labor either selected or had a veto power on.

Because this was a Republican administration, Nixon didn't have any obligation to organized labor. So in a perverse way, they could select somebody on their merits, at least that's the way I interpreted it. And Arthur Burns identified and fingered, then recruited this otherwise obscure professor who was then at the University of Chicago, subsequently. But George went to the University of Chicago in 1957, I finished my PhD in 1958, and I was recruited to the University of Chicago faculty on the graduate school of business, which was undergoing something of a renaissance during the Hutchins period. He was the famous, legendary president of the University of Chicago. Anything that smacked of vocationalism was considered indelicate, and was downgraded. In 1957, the university made a commitment to rebuild the graduate school of business. George Stigler was recruited, a subsequent Nobel Prize laureate, and George was part of that effort. And he recruited me, and I was there for 12, 13 years.

Timothy Naftali

How did he recruit you into government?

Arnold Weber

Well, that was easy. He just said, in an interesting way --

Timothy Naftali

So that was easy, to --

Arnold Weber

Well, it was easy. I mean, he was nominated for Secretary of Labor, and within a few days, asked me if I wanted to come along as a Assistant Secretary of Labor for something called Manpower, which is now Employment and Training. And I had a particular background of that, because one of the activities which George and I were engaged was something called the Armour Automation Fund. At that time, you know, the issue du jour was the impact of automation on the workforce. And in fact, in the Armour meatpacking plant, a company which was engaged in meatpacking and related activities, they were shutting down a whole series of plants and reducing employment, and there was a joint agreement between the union, the packing house workers, and Armour to put a penny per hundredweight of kill -- that is a hundredweight of pork -- or capital into a fund, which would help with the transition for the workers who were displaced. And George was ultimately appointed the independent third party who chaired the automation fund, having union and management. And they started various projects where they had shut down plants. One was in Sioux City, and one was in Ft. Worth, and I was the field operative in both of those projects. And I spent a great deal of time in Ft. Worth, and in Iowa City -- Sioux City -- setting up training programs for people, counseling them, negotiating with trade schools in the local area, and what have you. So the whole notion of retraining for displaced workers, particularly as a consequence of technological change, was a highly visible issue. And if you'll recall in 1962, I believe, the Congress at first had passed a Manpower Training and Development Act, which brought the government and government programs boldly into that arena.

Timothy Naftali

Was it in Ft. Worth -- I think it was in Ft. Worth, where then professor Shultz had this experience at a hotel where they wouldn't --

Arnold Weber

Absolutely, it's amazing that you heard that.

Timothy Naftali

He told me.

Arnold Weber

He told you? Well, I was there. I mean, it was George at its -- at his best, because as you know, he tends to be inexpressive, very stoic in his appearance. And we went down there to start the project, and George was there and I was there, and a representative of the union, who was black, and we showed up at the desk, we all had made reservations.

Timothy Naftali

Okay, can we try that -- sorry. It's just we're catching some of the street noise. Can we -- the representative was --

Arnold Weber

He was black, and we showed up, and we had made reservations when we were in Chicago. And then we showed up, and there we were. So they -- the reservation person at the desk -- the hotel clerk looked at us, and I can still remember the accent. "Oh, for you, Mr. Shultz, and for you Mr. Weber, we have a room, but I'm sorry we're all filled up." And we had no room for the black representative. So Shultz looks at him, blinks, and says, "Put Weber and me in the same room and give the other room to" -- his name was Harry something or other. And the reservation -- the hotel clerk says, "Oh, I'm sorry, that's the way we had it planned initially, so there won't be any room." And Shultz was just unnerved, unmoved, and sat there -- stood there, and then he said, "We'll move a cot into our room," so the three of us could stay together. And he said, "Well, I'll have to check with the management." So he went back, and I don't know whether he talked to anybody, but he came back, and you could see what was going through his mind -- what was worse, to have a black registered and staying at the hotel, or having a black in with two white guys. And he said, "Well, we've just had a cancellation, and we'll have a room for Mr. -- " whatever his name was. And that all happened with this, you know, quiet strength that George conveyed. And it was a great story.

Timothy Naftali

That sounds amazing.

Arnold Weber

Yeah, it was a great story at that point. And it turned out, in the project, one of the things we did is desegregated the schools, because they had trade programs -- training programs for the whites were Heliarc welding and machinists, and for the blacks were furniture making, shoe repair, and things like that. And in a non-revolutionary way, but by just insistence, we, you know, basically desegregated those programs so that blacks could get into the others -- programs.

Timothy Naftali

That was -- you mean when you were with Labor.

Arnold Weber

I wasn't with Labor. No, this was the Armour Automation Fund Committee that was all then.

Timothy Naftali

That's all -- so you did that --

Arnold Weber

Right.

Timothy Naftali

Wow.

Arnold Weber

Right, and Shultz was involved. And I spent two years on and off going down there. I went there in the summer, brought my family down with -- we then had two little kids, subsequently three, stayed there the summer and I remember it was 108 degrees. It was no Disneyland, I'll tell you.

Timothy Naftali

So then you had worked closely with him, it made sense.

Arnold Weber

Yeah, oh yeah, sure.

Timothy Naftali

Now, was there -- I was looking at how your -- what the mandate you received -- were you supposed to take part of OEO? Were they going to take some of --

Arnold Weber

No, we didn't take them. But most of the funding for the manpower and training programs, or a very large proportion of it, I forget the exact, 50 percent or [unintelligible] is an estimate was appropriated to OEO, and they delegated it -- the execution of it and the money to us for the training programs largely, the serious training programs, you know as distinguished from poverty amelioration, were run through the Department of Labor. And so you dealt with the head of OEO at that time. And at that time as I recall, you know, it was a lot of money in 1969 dollars, like \$4 billion was the budget for the department, division of manpower training and employment.

Timothy Naftali

I talked to a gentleman named Peter Flanigan.

Arnold Weber

Oh yeah, Peter, right.

Timothy Naftali

Well, he told me about when George Shultz was hiring assistant secretaries.

Arnold Weber

Is that right?

Timothy Naftali

Yeah, well he was just -- he kept saying, "Do you have to keep finding -- can you not find a Republican?"

Arnold Weber

Yeah, well, you know there was a very embarrassing incident, because he had me, Jeff Moore, who subsequently became -- who's a professor at Columbia and became the head of the Bureau of Labor Statistics, Jim Hodgson, who was his undersecretary, and I think Bill Usery, you know, who was secretary for labor management relations. And they had a press conference in a hotel in New York. I forget, it was one of the fancier midtown ones, and we're all standing up there, and innocently, when a reporter asked -- I think he started with Jim and said, "Well, what is your party affiliation and background?" And he said "Democrat." And Jeff Moore, I think he was a Republican. And he got to me, and I said, "I must say with a little equivocation, I viewed myself as an independent, but I registered as a Democrat in 1968 to support Humphrey against McCarthy," because I was a supporter of what we were doing, in terms of foreign policy in Vietnam and that business, or at any rate I was antipathetic to what was going on in the war protest movement. So I said Democrat. And then Bill Usery, I think, was a Democrat. So Flanigan was sort of startled, and when we went up for confirmation, I remember Senator Pastore of Rhode Island mildly excoriating us for all being Democrats. So I could see Flanigan, who was sort of one of the keeper of the faith in the White House.

Timothy Naftali

So tell us about some of the work you did with construction trades. [unintelligible]

Arnold Weber

Well, the thing with construction trade, that was George's cross of gold, you know, in a figurative sense. We were just staring, you know, it was still when the civil rights movement was vibrant and in its path-breaking mode. And the construction unions were known notoriously, or famously, depending upon what your point of view, for being discriminatory and keeping out blacks and Hispanics, and particularly blacks. So there was a lot of pressure at that point to develop a new policy that was under the umbrella term of affirmative action, and George, at his initiative, started what was subsequently known as the Philadelphia Plan, which had a lot of visibility and notoriety in some quarters, and particularly trade union quarters. And what it did is, you know, the slogan wasn't quotas, it was goals and timetables, and that was in the construction trades in Philadelphia. And it specified certain goals within a given timeframe for getting minority participation, particularly in the apprentice programs, which of course were the classic portal of entry into full journeyman status in work. Well that just engendered enormous resistance.

I was involved because the bureaucratic conduit through which these programs flowed was the Bureau of Apprenticeship, which was within the manpower administration, so it was, at that level, my responsibility. And interestingly, the director of the Bureau of Apprenticeship was the brother of the head of the bricklayers union, as I recall, who was sort of an affable Irishman, but it's not that his heart was in it from the beginning. Well, it involved enormous controversy. I know George told me in passing of this very sharp, if not unpleasant and coercive conversation he had with Senator Dirksen, who opposed it, and you know, you have to verify this from other sources, but threatened George and the department with, you know, punitive measures, whether it challenged his status as Secretary of Labor or appropriations, I'm not clear, but I know there was a sharp interchange between the two. So my responsibility was to try and ensure --

Male Speaker

That [unintelligible – background noise] is very overpowering.

Timothy Naftali

My response -- sorry, sir.

Arnold Weber

My responsibility was to, you know, press forward with the administration, and there was another -- an African American Assistant Secretary of Labor, Art Fletcher, who was a Republican and had been lieutenant governor of the state of Washington, and both of us worked, me through the bureaucracy, and he through the enforcement status. And I remember having, you know, some really, if you take it out of context, comical exchanges with some of the union people who would call me, and one of them said, "What are you, a Maoist?" When I talked about the program, I said, "That's a high compliment to a member of the Republican administration." I said, "No, we're doing the President's bidding" and what have you, and certainly the Secretary of Labor. I am not privy to any conversations George would have had with the President or the Ehrlichman-Haldeman nexus, but at the level of implementation, we -- he never wavered, and neither did we.

Timothy Naftali

Were you -- you were -- well, you weren't -- were you there when Davis-Bacon was suspended, or was that after you'd left?

Arnold Weber

I think it was after I left. Davis-Bacon is one of these historic issues, and you know about it, it was passed in the 30s, and the notion was that in government construction work, you had something called the prevailing wage, which was a euphemism for the union wage, and obviously that certainly put a floor on the wages, and in many cases pushed it up to levels that were far above what the labor market would require. And in some cases -- I remember one case where they had some construction project in the Marine barracks at Quantico and the like, and of course you didn't have any unions around there, or they're very sparse, so they used as a reference the wages in Washington that the union had negotiated. So there was always pressure on that, but I don't recollect anything being done. Maybe it was suspended.

Timothy Naftali

We're going to talk about wage and price controls, but what were the wage pressures? What were the - were there a lot of strikes in '69, '70?

Arnold Weber

Well, there were some strikes, but you know, the concept was wage-push inflation, you know, that wages were going up, and that had a pressure on costs, and unless productivity had what was fanciful increases in output at that time, they would pass on in increased prices. And what you had -- you know, if there was a theory of the case, I'll tell you how that issue evolved, at least from my perception in the Nixon administration, it was you were having settlements, and at that time, there were patterns, you know, and you used to say there were 2,000 labor agreements, but the pattern was set by around 40 of them, and you had deviations around them, but you didn't have much variation. And this was at the apogee of union strength, and you were having three-year contracts in rubber for 40 percent, and steel 35, somewhere between 35 and 40, and in automobiles at that level, so there was a great concern, you know, that wages were being pushed up, would be generated throughout the economy through these patterns setting, or other more subtle forms of emulations, and result in inflation at that point.

And the broader context is this was the golden era of what you could call incomes policies, which was a broad term for any form of modifying wage and price movements by government intervention or policy, some direct, as what we subsequently developed in the United States for that two, three year period. Some government influence, you know, of a non-statutory nation. Like in France, they had what they called indicative planning, you know it was classic French. You had some global goal and you moved towards it in zigzag ways, and you also had it with the Labour government, as I recall, in England. So it was in the air, and there were a special set of circumstances, at least in my perception, that started this. Incidentally, I wrote a book about this, and unfortunately, I looked through my bookcase, and I found I didn't have a copy to review.

But in this case, what happened is there was pressure to put on some form of wage and price controls, and it was an amendment that, as I recall, was introduced by Senator Proxmire of Wisconsin to the Defense Production Act of 1971. And it had wide popularity, this notion of controlling union strength and what have you. Little did we know that the Holy Roman Empire was falling apart, you know, under the labor temple on 16th street down there in Washington. So Proxmire introduced it, there was a lot of popular support. It was not viewed, you know, as something antipathetic to capitalism, or mischievous or counterproductive, as it is today. And as I understood it, the guy who really wrapped his arms around it, interestingly, was Arthur Burns. And he was a strong advocate for incomes policy at that time. And it was embraced by John Connally, who had then become Secretary of Treasury. And John Connally, you know, was the star of an otherwise somber cabinet. He was a guy who was charismatic, lively, and an incredibly quick read. And George was then in OMB, and you know, George had evolved in his intellectual framework, and there's no doubt about it that he had been moved towards the center or the right by his exposure to George Stigler and Milton Friedman and people like that. And beyond that, he, you know, probably had a greater anticipation of the impracticality of keeping such arrangements in effect for a long period of time. So as I understood, Arthur Burns was a protagonist for it. He was joined by Secretary Connally, John Connally, who was the charismatic figure in the cabinet on that, and that precipitated the famous Camp David meeting on whenever it was,

August 12, 13th, where I participated, and was there, and you know, watched the world change. And it was an interesting thing.

Timothy Naftali

Tell us about how much warning you had before you had to write three memos. You had to write a certain number of key memos for that meeting, didn't you?

Arnold Weber

I guess so -- probably 48 hours at most. I don't remember -- I went up there, I remember, with Bill Safire, Herb Stein played an important role. McCracken -- Paul McCracken, who was chairman, and there was really -- and I sat in on most of the meetings at Camp David, and there wasn't a hell of a lot of controversy. And you know, in retrospect, and if you really had a more sophisticated economic framework, the key issue was to let the dollar float, go off its exchange rate, which was the end of Bretton Woods, and the first tippy toe to what we now call globalization in that sense, in going away from gold at that time.

Timothy Naftali

To what extent do you think it was the international monetary crisis, or the perceived crisis --

Arnold Weber

It might have been, it might have been.

Timothy Naftali

-- that precipitated it.

Arnold Weber

I'm talking from my perception.

Timothy Naftali

Well from your perception, what do you --

Arnold Weber

My perception, the thing that was precipitated it was two. The -- you know, the immediate factor was Proxmire putting forward that amendment, which had great popularity. And I think if you, you know, got these people in a room philosophically, they would have been opposed to it, or it would have been distasteful to them, but there was great political popularity for it, so they thought they might as well embrace it and reduce the mischief. At the same time, in my conversations with Arthur Burns, and also the subsequent meetings of the cost of living council, which was the principal policymaking group that had Secretary of Agriculture, Secretary of Commerce, Arthur Burns, head of OMB in it, is that Burns

became a true believer. If he didn't, he was putting on a good act, you know in the salutary and constructive effects of incomes policy in this situation.

Timothy Naftali

Before we--we jumped ahead a bit, I want to move you from Labor to OMB. Did you go to OMB because Shultz went to OMB, is that why?

Arnold Weber

Yeah, because he asked me, and you know, it was what George used to call the good grade OMB. And it was a great experience. And I went because George asked me, and because I knew it was in something called the Executive Office of the President, and of course, it had responsibility for the entire budget, and then in one way or another, the entire government in the bureaucratic and resource sense. And George had me go over -- it was the Bureau of the Budget, and it became OMB as a result of the Ash Commission Report, and that was Roy Ash, who I guess was a businessperson who subsequently became director of the OMB. And one of the recommendations was to not just make it an instrument, you know, for the green eyeshade types, but to be a proactive agency that would also be concerned with management efficiency. There were units within the Bureau of the Budget that you could say had that general responsibility, but the idea was to collect it under one person, or one bureaucratic leadership, and that was the Associate Director for Management in OMB, and the structure was a significant change in what had existed before, because you had a director, and then you had the head of the various divisions: natural resources, national security, human programs, and what have you. George was the director of OMB. Cap -- Cap Weinberger was the director -- associate director of the budget, I forget what his title was, but I was associate director for management. And as I like to say, truthfully but sardonically, I proved forever more that the M in OMB was in lowercase, because obviously, management was important and we did some interesting and exciting things, but when push came to shove, the fiscal factors determined the outcome.

Timothy Naftali

Tell us about the relationship between --

Arnold Weber

Well, we were talking about OMB.

Timothy Naftali

Before I ask you about Shultz and Weinberger, I forgot one question that I wanted from the Labor period. You were on an SST committee.

Arnold Weber

Yeah, I was, right. I noticed that in your -- well, you know, I hadn't thought of it until I saw it on your preparatory material. And the notion was, should the government commit to the development and ultimate construction --

[Male Voice]

Your tissue is in the shot.

Arnold Weber

it's a handkerchief.

Timothy Naftali

That's better than a tissue.

Arnold Weber

Are we all right? Should we go ahead with the SST? It was being pushed by the Secretary of Transportation, John Volpe, who had been the former Republican governor of Massachusetts, and a real earthy Italian-American. So we'd go to these meetings, and we -- the idea was each of the departmental representatives would look at the project from the department's point of view, and implicitly, its constituency, and we looked at it in terms of employment effects and what have you, and commerce and business, and who knows. Well anyway, we had a series of meetings, and I of course handed that assignment out to staff people. We had a policy planning group, a fellow by the Jeremy Rossdile [phonetic sp] as I remember, and then came back and said, you know, "Nice try, but no cigar," that it would have some salutary effects, but it really wouldn't change significantly conditions in the labor market, or provide a large modicum of employment. So therefore, we were reluctant to support it, and in fact didn't. And there was a thin line between not supporting it and opposing it, as you'll see.

What I remembered when I saw your briefing memo was that final meeting, and it was obviously Secretary Volpe -- you know, this was a golden grail for him, he went around the table and everybody as I remember turned thumbs down, including the secretary -- the representative of the Department of Defense, Treasury, Labor, Commerce -- there might have been somebody who supported it, but you could see that Volpe just became crestfallen. He was sort of shocked that this was the reaction, because he viewed this as something that was desirable and obviously would be a high-visibility project. So the project never caught fire. It was moved ahead by the United States, and you know, with the wisdom of hindsight, it turned out to be the right decision. We saved a lot of money, you know, whatever they said it would cost -- I don't remember the figure, 5 million -- billion. You can rest assured it would have ended up costing 25 to 30 billion, as those things go. And of course France and England initiated the program, it lasted for I don't know how long, 10, 15, 20 years, and was dropped as being infeasible, you know, it was a vanity project for -- for Europe and those parties. So that was my association with it. And I always remembered it, because the remarkable thing was going around that table, and everybody saying "No" and looking at Volpe, who was incredulous, and then saddened, crestfallen.

Timothy Naftali

Did you know about the tension between the White House and the Bureau of Labor Statistics?

Arnold Weber

Oh yeah, sure, I was involved in that. That was during the freeze, and it was Jeff Moore. You know, Jeff Moore was the quintessential, you know, economist, statistician. He was associated with the National Bureau of Economic Research, which is sort of the mother church of economic statistics, going back to Wesley Clair Mitchell, and Burns was certainly associated with it. I don't remember if he was the director of it. I think that's probably right, but I can't attest to that. And it was during the wage-price freeze in the early stages, and we were getting, you know, the bureau was scheduled to report what was happening to prices and inflation, as I recall. And the White House wanted, one, preliminary information -- and really preliminary, not the hour before, and also I recall, although don't hold me to it, because it -- my memory on this is a little fuzzy -- wanted some adjustments in statistics to be made. Well, I mean, that was like asking the pope to commit an abortion, you know, within the culture of BLS, which had the highest professional integrity and viewed itself as the custodian and keeper, you know, of scientific accuracy and precision. And as I remember, you know, Jeff Moore, who was -- you would say, if you didn't know him, a mousy little guy. He was very unobtrusive, and at one level professorial. And he just stiffened his backbone and wouldn't do it. And my understanding is that no such adjustments or early notification were made. Now, I didn't know what was going on at the Shultz level and the McCracken level and things like that, but I was privy at that level, because I think that was at the beginning of the wage-price controls, and at the time when I knew I was going to be involved as the first director of the Cost of Living Council.

Timothy Naftali

Did you know that they were trying to find out how many Jews were in the Bureau of Labor Statistics?

Arnold Weber

No, no I didn't know that. That's great. Was that to find out -- to make sure that the statistical accuracy was high? Did they do that?

Timothy Naftali

No, there was a complaint, apparently?

Arnold Weber

Well, it could have been.

Timothy Naftali

Fred Malek -- no, it was -- Fred Malek has told us about the -- that the White House put pressure on him, because they thought that it was --

Arnold Weber

Well, Jeff Moore wasn't Jewish.

Timothy Naftali

I know.

Arnold Weber

That's interesting, but there were -- you know, because that was a place where -- in a sense, it became a place where Jewish economists and statisticians went as a reflection, it went back to the 30s, of discrimination in hiring in universities, including Northwestern and Harvard, places like that. So a lot of them went to government, and it was the gold standard, you know, in terms of the credibility and the insulation from political factors of important economic data. But I hadn't heard about the Jewish twist.

Timothy Naftali

Well, it was --

Arnold Weber

Well, it was interesting, because I'm Jewish, and they trusted me with the wage-price controls. Incidentally, I never had any experience or any intimation of anti-Semitism from anybody during my time in the administration. I just want to say that, and I don't -- you know, it doesn't surprise me that you had some of these attitudes, but I never experienced it at any stage.

Timothy Naftali

Right.

Arnold Weber

So that's worth saying.

Timothy Naftali

So you go to OMB -- describe please the relationship between Weinberger and Shultz, as you observed it.

Arnold Weber

Well, it was touchy. You know, and understandably so, even aside from the personalities involved. George was director of OMB, but Cap was running the budget, and you know, he had his hand on the steering gear the whole time. And Cap had been, as I recall, head of what -- the Federal Trade -- the FTC, yeah, and he had been a friend of Nixon from the California days, and Reagan subsequently, as we saw when he became Secretary of Defense. He was a strong-minded guy. So there were going to be differences in policies, and also, whose turf would it be? I used to sit in on meetings with the program heads, you know, they had, as I said, national defense, security, labor, human resources, whatever it is. And there used to be meetings, and I didn't sit on all of them, and there was never any discussion or intimation of the conflict, but everybody knew it was there. Now, if you ask me, can I identify a

specific issue, I just don't remember, but I knew it was certainly there. And what I do remember was my own relations with Cap, who knew I was Shultz's boy, you know. And he was always courteous to me, but this notion about the M in OMB always being lowercase was -- one of the things the associate director for management was charged to do was to ensure that new programs of Presidential priority would be put in place so that they could function efficiently and effectively from the get go. And the two programs that I particularly remember being involved in were EPA, you know, the Environmental Protection Agency, after that first environmental law was passed. Most people don't recall, and would be reluctant to accept the fact that EPA was started under the Nixon administration. And the other was OSHA, the Occupational Safety and Health Administration. So I remember we were looking at the staffing for OSHA, and the notion was to protect the President, you know, from somebody eight months from now saying, "Nothing's being done." You see that today in, you know, what's happening with the Transportation Security Administration.

So we went and we sent people down, we had something called the program coordination division, which we used to call the light cavalry, you know, who would actually go out in the department and deal with program management, which was a significant break with the OMB culture and mission, and they came up with a list of additional inspectors and staff we needed for the new OSHA administration. I remember it was, you know, chump change, \$90 million or something like that. And the idea was we had to get a supplemental appropriation for it, because it wasn't in the initial Labor Department budget. So I remember going to Cap and saying, "Well Cap, we've done this program, you know, this analysis, and this a -- program's a high visibility for the President, and we need this supplemental appropriation." And Cap, who was a quick and funny guy, sort of stamped his feet, and he said, whatever it was, "\$90 million, Weber?" He says, "I could never keep up if you keep bothering me with these small amounts." It was funny. We did get the money, and he did put it up. But that sort of put it in perspective.

Timothy Naftali

Did you have to get a supplemental for the Environmental Protection Agency too?

Arnold Weber

I don't remember. I'm not sure. I don't think so at the beginning, but I don't remember. But the units for which I was responsible within OMB, one of them dealt with management and organization, they were very involved in the organizational design, because they were taking people out of the AEC, and - you know, the Atomic Energy Commission, and a whole range of other agencies and putting them together.

Timothy Naftali

When they were building the Department of Homeland Security, I remember reading that there were some issues with the unions, because different people from different agencies -- was it hard to structure the EPA?

Arnold Weber

No, not the ones -- I don't recall, no, no sort of issues. I remember -- I sort of came in when it was underway, and there was a person, Alan somebody or other, who was a careerist, a GS-18, was running

it, and somebody called Dwight Ink. If you ever want to get into the details of organizational development, he's the guy to talk to at that period, Dwight Ink, and -- but I do not remember any significant problems with the agency. Ruckelshaus was the first director, and he was a very effective, you know, and attractive person. OSHA we had, you know, some of these problems, and management would push back, and you know, labor would push forward. But ultimately, the job was done.

Timothy Naftali

Did you interact personally with George Meany and [unintelligible]

Arnold Weber

Oh yeah, yeah, I interacted with him a lot, particularly when I, you know, nominally left government at the end of the wage-price freeze.

Timothy Naftali

Pay board?

Arnold Weber

November, and I was on the pay board and he was on the pay board. I wasn't there all the time. But he used to excoriate me and [unintelligible] regularly, you know, and I had the notion, in his eyes, I was something of a class traitor, and I could give you a little personal thing. Of course, I come from a working class family. My father was a union electrician in New York, and the union was his religious surrogate. And he was just a devoted trade union member, and I remember as a kid there'd be a strike of taxi cab drivers, he'd get up at four in the morning to picket the garage and want to have -- so the notion was that when I was there, you know, I should be more sympathetic or bend to their interests. And so I got a lot of back pressure on that, you know, from people like Meany. And Meany used to send a delegate most of the time, but you know, Meany was Billy Goat Gruff, and you put anybody in a position, you look at it where their power was being compromised, it was in one way or another an assault on a basic labor management institution called collective bargaining and the like. They opposed it from the get go, and I don't think there was any labor agreement that they voted for. I was a public member, they were management members, five, five, five and five management labor and public. And you know, Meany was a tough guy, and that's the way he was supposed to -- and incidentally, when I became president of Northwestern, there were still reverberations of this.

And it's an interesting footnote to see how these events and interactions have a tale. I'm president of Northwestern University. I'm also on the Tribune Company board of directors, which has had a long relationship with our Medill School of Journalism, Joseph Medill having been the founder of the Tribune Company. The printers and other skilled trades went on strike at the Tribune. Basically, the company -- and this antedated my membership on the board -- basically adopted a policy -- this was a time of great technological change, there had been major strikes in the New York newspapers, of resisting the union demands, which particularly went to people like the linotype operators, where these jobs were being basically abolished or made redundant by new technology. So at this time, my father is retired where all good union members who grew up in New York went to retire, in Miami, and he

called me up and you know, in a really high state of anxiety. He had been called by people from his own union, local number three of the IBEW, which is, you know, one of the strong and most venerable unions up there, particularly in the building trades. And I don't know what they said to him, but the way my dad interpreted it is -- was he should put pressure on me to put pressure in my role as a board member on the management of the Tribune Corporation in order to not jeopardize his pension benefits. That was the line and you know, it came up in that case, and obviously, I was upset by it, and I certainly wouldn't do anything and they picketed out here and what have you -- the union. But it was an interesting follow-on, you know, from my role as price wage czar and my interactions with Meany.

Timothy Naftali

I'm sure.

Arnold Weber

Yeah, Meany by this time was, I think, dead, so he wasn't involved.

Timothy Naftali

Did you ever interact with Harry Bridges?

Arnold Weber

Oh, well I interacted him at the hearing. They had an agreement which clearly broke the guidelines, which was the, you know, 5, 5 and one half percent, I forget which. And we had a hearing, and you know, you go through, it was sort of this theater, they were all public hearings, but it was inconsistent with the guidelines, and Bridges was, you know, in his cockney way -- he was an Australian -- was very eloquent and clearly indicated what he thought of the wage controls and the injustice of them. And as I recall, I've got a book on that too, you know, the pay board. We, you know, conformed it to the wage guidelines. But I didn't have any personal reaction -- interactions with him, other than his appearance before the pay board.

Timothy Naftali

During the OMB period, in Ehrlichman's memoirs, he says that you were asked to do an audit of Wally Hickel.

Arnold Weber

Yeah, isn't that interesting that he did that? I haven't read that. Yeah, that's an interesting thing. The background on that -- this is when I was OMB. The background on that was Hickel became an outspoken opponent of the war in Vietnam. You know, he was taking public positions against it, and the administration was very unhappy with it. Incidentally, in the previous administration, Secretary Wirtz had done that, and he was George's predecessor at the Secretary of Labor. So at the same time, they had received reports that Hickel was profligate in his spending for his personal situation in this position as cabinet officer. And there were things like the office, that was a major thing, and he had called in some designer from Alaska or something like that.

And also that -- he had bought booze when he was in Guam, you know, all of these things are a little fuzzy. And they asked us to do a management review of the practices in the office. I sent down a guy who had worked for me in the Department of Labor, and who was in -- we called the special projects or something -- and it was really an audit function in the GAO sense, only a little more earthy. And he went out, and I went over and talked to Hickel first, and I said, "Well, you know, we're concerned about management efficiency." I didn't obviously tip my hand and say -- I guess it came to me, not directly from Ehrlichman, but from Shultz. So we did an audit and found out that there were some expenses which, if they weren't improper, you know, would certainly be indelicate in the public arena. And the thing that sticks in my head -- I can't hold to it -- was \$50,000 to redecorate his office. That's where the director came in. And buying some booze on a trip to Guam or someplace like that, which was under the jurisdiction of the Department of the Interior. And we passed the information on, and I don't know -- I don't recall how they used it, but ultimately Hickel resigned, I guess under pressure. So we did involve -- we did carry out this inquiry/audit, which obviously had its genesis in political factors and his public resistance to the policy on Vietnam, but also over some concerns of who would be profligacy. And I suppose, in a narrow sense, you know, that was true, whatever he spent for his office, but we didn't uncover, as I recall, any evidence of fraud or misfeasance in that sense.

Timothy Naftali

But you knew when you were doing this that there was a political --

Arnold Weber

I did, I did -- well, I don't think anybody told me, but you know, I wasn't stupid. I don't think anybody said, "We've got to get this guy." No, nobody said that to me. But I mean, that was part of being the M in OMB. These things came up, so we did it. Now, you know, they could have asked the General Accounting Office, but I don't think they would have done it, because there obviously was political sensitivity. I read the "Washington Post" just like everybody else, and -- you know, and I used to go to these meetings of the President's staff, you know, in the executive office that Ehrlichman would hold. It wasn't every day -- what was it, every week? Once a week? You know, everybody would be there, Krogh and all those guys, Colson, me, Ehrlichman, Haldeman wouldn't come, Ehrlichman generally would, Shultz. And there'd be a lot of political talk. So I wasn't a political operative, but I certainly wasn't insulated from it, nor was I naïve.

Timothy Naftali

Were you involved the discussions about making super cabinets?

Arnold Weber

Not really, no. That was coming in the second administration, right? The second term?

Timothy Naftali

Yeah, there was some talk about it earlier, actually.

Arnold Weber

No, I don't recall doing that. I remember there was the discussions, and you know, it was the notion of control. Nixon, my impression, was always prickly and, you know, unsatisfied with a lot of the cabinet people. I mean Romney -- I mean, you heard these stories that he told Haldeman, you know, when Romney used to come over and give him these long disquisitions and lectures, he was a very vigorous guy, and sort of a -- you know, at one level, an attractive guy, but I guess he wore thin on Nixon. And the scuttlebutt was, "Don't let that guy -- if he calls for an appointment, make sure he doesn't get it," obviously. He also said that about Bob Mayo, who was the Bureau [of the Budget] -- who used to come over I guess, and -- you know, and I knew from Chicago -- he was a Chicago -- worked for a bank. And he was a nice man, not as bad, but apparently he requested appointments with the President to talk about how many libraries you should fund in the State Department's budget and things like that. So Nixon was busy fighting the Cold War, you know, having these broad visions, and I don't blame him for being irritated for asking how many libraries there should be -- American libraries abroad.

Timothy Naftali

Before we get to Camp David, you were -- there's a debate about the extent to which the Nixon Administration extended the Great Society Program. You actually added to --

Arnold Weber

Absolutely, absolutely.

Timothy Naftali

What was the philosophy? What were you -- what was the debate there?

Arnold Weber

You know, there wasn't much of a debate. And from my end of the line, it was very supportive because, you know, as I think back on it, the counterpoint was always money was going into OEO and that was the poverty program, and that was basically income transfers, you know, and Operation Head Start and this, and we were the people who were supposed to run the programs that resulted in jobs and employment and things like the Philadelphia Plan. So there was always support for that, and that whole notion of the negative income tax and welfare reform, that came out of the Department of Labor, and a guy Jerry Rossow, who was assistant secretary for policy planning did all kinds of work on that. And remember, the roots of that were sort of set by another obscure assistant secretary by the name of Daniel Patrick Moynihan, who had worked in the Labor Department and was assistant secretary, and had a lot of visibility if not notoriety for his benign neglect concept. But you know, this guy was a powerful intellect, and in the classic sense, a liberal and the like, and he was counsel to the President. That's another thing, you know, which clearly drove it.

So the notion was that these employment programs were desirable, but they had a lot of waste in them and abuse. And he was exactly right, you know. I used to joke that -- what's the definition of a conservative? And remember my background, I'm a congenital Democrat at this point, in the sense that my family background -- my definition of a conservative was somebody that was called in to run a

program started by a liberal. So you'd have some of these training programs. I always remember it, and remember I came out of the Academy, and I wasn't any innocent. But I was certainly idealistic, and I had studied these programs. And I always remember this nurse's aid program in Buffalo -- you know, you look at these things -- that had 40 applicants -- 40 students in there to train nurse's aides, you know, not rocket science, and three got jobs. And what's going on? You know, take the money and put it on the street and you'd do better, and we wanted to shut it down. And I remember I got screams of protest from Jack Kemp, who was then a Congressman. "What are you doing?" And it was full of that stuff with these programs. And you probably have recounted this was from the get go, because President Nixon, during the campaign, one of his issues and promises was to clean up the Job Corps, right? Are you familiar with that?

Timothy Naftali

I'm familiar with this.

Arnold Weber

Yeah, with the Job Corps.

Timothy Naftali

But what came out of it?

Arnold Weber

So we came in with a mandate to clean up the Job Corps, and President said to George, "Clean up the Job Corps," and George said to me, "Clean up the Job Corps." So we did this study, you know, we looked at things like how many people got jobs, you know, what was the attrition. And it was interesting, because at that time in certain major camps like Poland Springs, Missouri -- Maine, you had a daytime program with the training, and then you had a nighttime governance with the transplanted gangs and the gang culture. So we did what we thought was a careful, you know, academist's [unintelligible] --

Timothy Naftali

We're talking about the Job Corps.

Arnold Weber

We did the Job Corps, and the Job Corps was, you know --

Timothy Naftali

Are you guys ready? Are we at speed? Okay, Job Corps.

Arnold Weber

The Job Corps, you know, took up the first four months of the administration, my government. So we said we were going to shut down, I think it was 20 out of the 70. It was all well considered, and you know, a lot of them were just wildly inefficient, or trivial in terms of their --

Male Speaker

[unintelligible]

Arnold Weber

Around 20. I gave it to George, George affirmed it, and we announced it. Well, you know, this was like shutting down 20 Army bases, and the political backfire on it was, at least certainly by our standards, immense. I remember one congressman went and sat in Shultz's office for like six hours and wouldn't leave, you know, until he got to talk to him. Shultz and I got called up to Mike Mansfield's office -- he was then the Majority Leader of the Senate and the like, you know, ex-professor. I always remember he offered us cookies -- nice touch, have cookies -- and we were shutting down something in Montana. It was called Kicking Horse, as I recall, and it was particularly aimed at Native Americans, as we say, at that point. And you looked at it, and it had a complement of, I don't know, 200, 300, and it would have 90 people in it. And in the winter, it would build up because a lot of the Indians would come in because they'd have a place to sleep, you know, and get meals. And what passed for training was, you know, rudimentary at best, so we were going to shut it down.

And I remember Mansfield -- and remember, there was sort of a gee whiz thing from the academics coming out. George was with me, and he said, "You must always think of the neglected Americans -- you know, the Native American Indians, and we must keep it open." And you know, George was great at the stoical aspects of it. And he said, "We've gone through this careful evaluation and rating of it, and it just isn't performing and isn't helping their constituency." So the result of that, subsequently, was that we shut it down but we opened something else that would serve the same constituency, so that placated him. And it was a lesson to me, because I told the story to our legislative guy, Bill Gifford. I said, "What the hell is he worried about?" I said, "What was his margin of victory last time in the election for Senate?" He said, "Oh, he got like 79 percent of the vote." I said, "And he's worried about this, in terms of constituents?" He said, "You don't understand," Gifford said. "Next time he wants it to be 84 percent." I said, "Oh, okay, that makes sense." And then if you'll permit me a vulgar anecdote on this, we were called up by Russell Long, because one of the Job Corps camps that we were shutting down was in St. Louis, run by the Delta Company or something like that. And apparently, there was some connection between Senator Long, you know, Russell Long, who is --

Timothy Naftali

Yeah, from Louisiana.

Arnold Weber

Huey Long's son -- Louisiana, and a contractor, he had been a supporter, which was called the Delta Training Company or something like that. And we went through -- George went through the same routine about the careful study, you know. He had -- he could be professorial, but very down to earth

at the same time. And Senator Long is looking at him, and you can expurgate this, but I like to tell the story -- and Senator Long just sort of fidgets and shifts his body, and he said with his Louisiana accent, he said, "You haven't been in this town very long, have you Mr. Secretary?" George Shultz -- "No, Mr. Chairman." And he says, "Well I ought to tell you, there's two types of people in Washington," he said, "The fuckers and the fuckees, and I don't presume to be the latter." George, you know, my whole 25 years knowing him -- he once said, "That son of a bitch," but never used an earthy term. George sort of looked at him -- but you know, how could I -- I couldn't make it up, and I couldn't forget that. And it was so in character, you know, if you read about his father, as I had, and his reputation. But the story has a happy ending: we shut it down -- you know, we did shut it down. And then we were called up for a Senate hearing, I remember, on the -- you know, to review the whole thing. And as I recall, if he wasn't the chairman, he was, you know, the ranking member or a senior member, and that was Harrison Williams -- Pete Williams.

Timothy Naftali

He's from New Jersey?

Arnold Weber

Yeah, from New Jersey. He was the chairman of it. And he kept us up there six hours, and I think it was four hours before he gave us a break for what they call in the UAW contracts 'personal needs.' And the cameras were there, and you know, God help us if CNN was invented at that time, and the like. So it went on for months, that sort of thing, and we did make certain accommodations, but by and large, you know, succeeded in shutting down some of the worst of the programs in the face of virulent resistance, if not a little racy, gamey -- and made the point for the President. So I assume, you know, George got brownie points for it. [unintelligible]

Timothy Naftali

And what made these efficient?

Arnold Weber

Pardon?

Timothy Naftali

Pardon me. What made these efficient? What were they inefficient --

Arnold Weber

Well, I mean you'd just look. They'd -- just for the sake of argument, I mean an explanation, they'd have 100 trainees, and eight would get jobs six months later. And a year later only four had jobs. That's what made it inefficient, that they weren't training people for realistic positions and didn't have the connections to the labor market. And you can't run a training program, and the cost of training at that time was \$4,000, \$5,000 a kid, and you were doing an injustice to the kids who were going in there.

And it was a simple matter of effectiveness. And if you got 50 percent, you know, that was like Harvard graduating 98 percent, and that's what made it inefficient, plus the obvious coziness between the government and some of the contractors, through these political connections. So what else is new? You know, it goes on, but it was particularly manifest, and here you had -- I mean, they talk about earmarking and pork belly -- pork --

Timothy Naftali

Barrel.

Arnold Weber

-- barrel politics. Well, at that time, you know, all of the sudden this thing came on, the war on poverty. And it was inevitable that you'd have it, because people could make plausible substantive and political arguments that they should get their piece of it. That's why we had a program in Montana, and that's why a certain number of the programs for the Job Corps were in rural areas, where they learned to be loggers and things like that, which, you know, if you just had an objective professional view of it, you obviously wouldn't do that. And I don't say that in scorn, you know, because that would -- I don't want to present that innocence. And certainly at the start up, you had a lot of that. And in my judgment, the President was absolutely right, even though it might have been for, you know, mixed reasons, and I thought we did a reasonable job in stating the issue and defending the program. And Shultz, you know, one of his great strengths, I used to look at him -- I'd be -- you know, the guys at the hearings, the secretary comes up and there's a guy carrying the big binder behind him and sits next to him? That was me in most of these cases, and every now and then answers a question. Well, Shultz has this terrific capacity that some congressman would just lacerate, "Why are you doing this? You're throwing people out on the street," and the like, and George would, you know, listen, and with that impassivity. I used to be able to read the muscles in his neck when he was mad. You'd see a tenseness, but you'd never see it on his face. And he'd say, "Well Mr. Chairman, you certainly have made a good point." You know, he wouldn't say, "What are you saying, you know, you're completely wrong" -- and then he'd sort of take him around the circle, and end up showing how he didn't make a good point. "But have you thought about this, and the other needs, and what have you?" And he had a completely disarming way.

I remember sitting in on a cabinet meeting, and I was a backbencher, and -- talking about George. It was during the postal strike, which you know, was obviously a high visibility thing. It was illegal and what have you. And Blunt, who was the Postmaster General, wanted to call out the troops and, you know, have a soldier at every postbox in order to protect the integrity of the mail. And in the cabinet room setting, with the President there and everybody else, George -- and remember, the Secretary of Labor was not a high status in general, and certainly not in a Republican administration. And George, you know, eloquently but pointedly made the argument how that was counterproductive, you know, it did violence to the institutions. There were things you could do to systematically and peacefully reach a solution. And he prevailed, and he had this great capacity to sort of defuse issues. But he got into a lot of other things with the John Dean business and the IRS and the like, where -- I was out of government at that time, but obviously he took a lot of heat for that.

Timothy Naftali

You said that he evolved, politically.

Arnold Weber

Well, intellectually. No -- what I meant is, look, if you were trained as a person in labor economics in the '40s, as he was when he got out, and including the '50s, the initial presumption is you were sympathetic to unions, you know, collective bargaining. You believed in institutional arrangements that would promote equity -- what you thought was equity, you know, at the cost of modifying market institutions, and that's what collective bargaining was all about, you know. And that sort of reified, in a sense. So we could understand, you know, Davis-Bacon had its problems, but you wouldn't get many arguments from it. Well, I wasn't, you know, privy to what was going on in George's head, but there's no doubt you go to the University of Chicago and you're in the economics ecosphere there, as I was, and it's an enormously powerful environment, you know. I've been at four or five universities over my checkered career where I, you know, had some feel for the culture and the intellectual level, and hands down, Chicago was the most exciting, you know, elevating intellectual environment, and particularly in economics at that time.

And George became a good friend, particularly of Stigler, you know, who got the Nobel Prize, and Milton Friedman and the like. And George also had certain high-pressure events when he was dean of the business school, where he got into a little standoff with the President, and that was Ed Levi who later became Attorney General after Watergate, and that was particularly over Dow Chemical recruiters not being permitted to go on campus, you know, because they had made napalm, and that was apart of the anti-Vietnam activity, and there was a very strong coterie -- strong and vocal against Vietnam, against the war in Vietnam. And Edward Levi was, you know, sympathetic to this, and didn't want them on. And George and people like Friedman, you know, for obvious reasons -- they were helping the United States government, and you were denying access to students, you know, a whole free market, freedom of speech notion. And I remember, I was, what, an associate professor, I had just gotten tenure, and one of my assignments -- we junior professors, it was an old gothic building -- was to look out the window and be monitors to see if the protesters were coming. And at that time, they were blowing up buildings in Madison and Arizona State and places like that. So I think, you know, George being exposed to these people, being a sensible guy, and I'm just conjecturing, you know, also having to deal with these tough managerial situations as a dean, gee, move to become more conservative, you might say, but in a constructive way. I don't want to use the term compassionate conservatism, which has been adopted by subsequent administrations and also has a certain tarnish now. But George was always concerned about equity and the like, and just his view, you know, so when you're a student, you didn't need a union that you didn't like when you're in there dealing with them on things like the Philadelphia Plan, and seeing how they're trying to knock your head off with a viciousness, you're going to change your attitudes.

Timothy Naftali

Let's talk for a minute -- I'd like you [unintelligible]

Arnold Weber

Yeah, we'd better.

Timothy Naftali

-- to do is --

Arnold Weber

From Dirksen, who in one general or specific way, threatened him --

Timothy Naftali

Let's --

Arnold Weber

-- and the like, but Nixon, for whatever reason, and I think you had Moynihan there, you had guys like George, and you know, Nixon, my impression -- and I was with him six or seven times, and you know, out in San Clemente, and I'd be a backbencher at cabinet meetings, particularly when I was at OMB -- I mean my notion is he was interested, but basically bored with domestic policy. You know, you had the New Federalism, and you had this and that. I mean, his interest, and of course the primacy of the issue was in foreign policy. And I remember, you know, all these things about his personality and the like. But when I was appointed associate director of OMB and George director, we went out to San Clemente to be sworn in, and I was the tagalong. I didn't know why I went, but you know, it was part of it, and we went out on Air Force 1-3 or something like that and took the family. And we were all -- while we were there, and before the public swearing in, we were sitting in the waiting room to see the President, and a funny thing, sitting in there was Ehrlichman, Rumsfeld, Shultz, and me. And Ehrlichman, who I said I thought was a funny guy, sort of looked around the room and he said, "Ehrlichman, Rumsfeld, Shultz, Weber, Weinberger, who said we lost the war?" And it was very funny. And then we all went in, and you know, from my vantage point, you didn't have a conversation with the President. You were stimulus for a monologue. "Oh, you're from Chicago" and then he'd tell stories about Chicago, but he had this -- somehow the topic got on foreign policy. You know, it was sort of a courtesy visit, at that time it got on -- and I always remember, and remember, you know, by profession, I was a teacher and the like. And he took around 35, 40 minutes, and he had this, what the French call a tour d'horizon. "Oh, this is Sri Lanka," and he'd give these marvelous little five, eight minute vignettes, you know, sort of evaluating each of these countries and the like. And I'd sort of listen to it, and I'd say, "That guy is really smart and well-informed." Well, that was one of the few times that his eyes would light up, that I'd seen him, and he was energized, and he was really well-informed and smart.

Contrast that to right after the wage-price freeze was announced, and you know, there was a lot of popularity and support of it by the business community and the press and what have you. I was taken in to see the President with Shultz and with General Lincoln, who, you know, who was a great guy, who ran what is now infamously called FEMA and the like -- the Office of Emergency Preparedness, it was running the field. And he's listening to me, and I'm, you know, giving him a five-minute précis of where we are, and the occasion really was to give him a report and me to an 'Atta boy.' You know, and I'm talking about agricultural prices and this, and automobile, and how I was visited by Henry Ford and what have you, and he said, "Well, are the football -- professional football players covered by the program?" He said "Their wages and the ticket prices?" I said, "Yes sir, Mr. President, in order to create a sense of equity, it has to apply to everybody." He says, "Well that sounds a little strange." So

we talked about it and he said, "Oh, well leave me out of it -- go ahead and do what you think is right." I thought that was great, I'm talking about -- you know, I had more economic power than Czar Nicolas the Third, for Christ's sake. Why -- why it had been arranged, you know, these eight people sitting around, deciding whether Halloween candy should be exempt from price controls under the seasonality rule, and he went to the football players. And then, you know, that epilogue that I talked to you about later on -- so my feeling is that -- is Nixon, I think, you know, tolerated and accepted it because on the one hand, it was secondary to what he was really focused on, and why not be focused on foreign affairs at that time at the depths of the Cold War?

And secondly, he liked the idea of, you know, being a heretic sometimes, and an innovator, and embraced these ideas. So he had, as I said, Moynihan, he had this guy at Brookings, Steve Hess, and you know, and Moynihan had this star -- this staff of we used to called the kiddie corps. One of them went on to be the head of the American Enterprise Institute. Dick Blumenthal is the aggressive attorney general in Connecticut who's always suing every drug company with legs, and the like. So there was, you know, a yeasty environment over there. And he was interested, and I never really got a knock, you know, on things that we promoted. So we reorganized -- the big thing was, you know, they used to say if you don't have any money, you reorganize the government. So we reorganized the Manpower Administration, make it more efficient, and he liked that. And the wage-price thing, my impression was Burns was in favor of it and John Connally, for a whole set of other reasons, was in favor of it. And just a little footnote on this: you know, the power, the nominal formalistic power that the head of the wage-price program had was enormous. It was ridiculous. We once had a ruling that prices on commodity exchanges were subject to wage-price controls. They shut down the next day. They just -- we had to recede it, so we did stupid things too. But in that whole business, apropos of the question that you had, and I worked with Connally -- you know, I wasn't in his office everyday, but I saw him, I had access to him, and I watched him perform at press conferences. He was an incredible fast read. He'd come back from one of these group of nine meetings and, you know, I'd brief him, and then he'd go out and have a press conference and it's as if he did everything himself. And there was only one case of all the hundreds of thousands of decisions that we made directly and by inference, was there political intervention, and that came from Senator Long and it had to do with sugar prices. And we made some modest accommodation. I forget the exact -- maybe I've repressed it. But I just thought in retrospect that was enormous, you know, and the integrity of it, that was protected by Connally.

Timothy Naftali

How did you --

Arnold Weber

And the President.

Timothy Naftali

How did you get rid of oil import quotas?

Arnold Weber

We didn't get rid of -- I wasn't part of that.

Timothy Naftali

No?

Arnold Weber

I wasn't part of that. You know, as I said, the wage-price controls got all the visibility and they were trenchant, and at the end, mischievous and counterproductive. The real action was, you know, going off the gold standard, letting dollar float, changing some of these international market rules and institutions, and those were durable and you could look back 35 years ago, and how they were sort of the first timid steps to what we now call globalization.

Timothy Naftali

When you were given the job, what did you say when some -- when they said you were going to be the oil and price control -- wage and price control czar.

Arnold Weber

Yeah, by that time I'd been in government -- you know, government is great, but it's also pernicious. I mean look, I had been the Secretary of Labor -- I mean the assistant secretary. I'd gone through this business that I talked to you about, which was, in a way, a good initial baptism to get full blast of the political factor. I'd been in OMB and dealt with a lot of things, and you know, when you go down there and you're sort of naïve and you say, "Well, I'm working, I had young kids and my wife, and I'm working 12 hours a day, and how do I justify working 12 hours a day and neglecting my nine year old and my 11 year old? Well I'm saving the republic, and therefore I'm saving the world." And then they say, "Well, if that's the case, why are you just working 12 hours a day? Work 14 hours a day." Now, you know, so there's this process of reinforcing rationalization, but you're excited, you think you're going to do good, and -- you know, I'd been in government almost three years and had what I like to think was responsible positions. So it was another job. We put together a staff that turned out to be terrific, and the whole damn thing, on a policy and management level, was run by 40 people. And we were smart enough to say IRS will be the enforcement, even if they never -- you know, a businessman never saw IRS people, just giving it to the IRS would strike fear in all of them, and managing the structure down at the local level was OEP, Office of Emergency Preparedness, and it worked.

So we just sort of looked at pragmatically, and then the policy issues would go to this council of cabinet people or their designees, and we'd have a meeting once a week or something like that. And sure, there were problems, but it was interesting. You know, we had some savvy PR guys who had been in the military, and when we'd really get in trouble, basically we'd go out and find somebody in flagrant violation of the rules, either innocently or maliciously, mostly the latter, and we'd command them to come up to Washington. And they'd come in and talk to me, and I'd have the general counsel, and we'd express our displeasure, and then when they came out, there was Sam Donaldson -- [laughs] -- excoriating them. And I've often thought of that in -- vis-à-vis the problem of immigration control, you know, and also, we had 3 million enforcers, at least of the prices, of the wage, and that's where the employers and the like -- so it -- and the other thing is my stint was 90 days. You know, it started to unravel, then the big problem was it was in place too long. You know, I was succeeded by a former congressman by the name of Don Rumsfeld, who had been head of OEO at that point, and had stayed

too long. And you know, any control institution like that or regimen will create cumulative distortions and tend to fall on its own weight.

Timothy Naftali

What was the objective? What were you supposed to accomplish in 90 days?

Arnold Weber

Well, your mission was to restore price stability, oh in 90 days? Well that was the karate chop. You know, it was to get everybody's attention, to freeze wages and prices, and we had a very tough freeze with few exceptions. And you figured the economy could take that, and in that period we would formulate the rules which would permit adjustments in wages and prices that were consistent with ongoing price stability. So you had the wage guidelines, which is 5.5 percent, the price commission had its price guidelines and policies, and those were put into effect after the freeze was over, so-called phase two. Sound like Vietnam -- I mean Iraq, doesn't it?

Timothy Naftali

Now, well I read that you suggested a 60 day freeze, not a 90 day freeze?

Arnold Weber

I don't remember that.

Timothy Naftali

But did--

Arnold Weber

I don't think I was in any way involved in the timing of it.

Timothy Naftali

Did you feel ideologically uncomfortable with the idea of --

Arnold Weber

Only -- well, as a practical matter, no. But sort of personally, I knew this would be anathema to my colleagues back at the University of Chicago. But it was so funny, because I got a call asking whether it was okay to raise the price of meals in the university club, which was the faculty club, you know, from one of my cronies. And I said, "Absolutely not." And that -- yeah, was there was a little unease, but by that time, I had been fully acculturated, and at one level you're serving Mr. Nixon, at the other level you're serving the President, you know, and if you object to it, you should leave.

Timothy Naftali

Did you sense George Shultz's unease?

Arnold Weber

Yeah, I sensed his unease, right. Or his lack of enthusiasm. He never conveyed it, but it was clear to me that, you know, he thought it was not an effective, durable, or desirable policy.

Timothy Naftali

What were the consequences of the 32 months of peacetime controls?

Arnold Weber

Well, you know, well what happened is you got a big upsurge when you let them off, and you could say they contributed to what went on in the 70s and 80s in the Carter situation. It created all sorts of misallocations of resources, you know, de facto black markets or gray markets, and it distorted the whole price mechanism in wages. And when they were let up, you know, you had the big blip.

Male Speaker

[unintelligible]

Arnold Weber

Okay, yeah I'm about running out of steam, too.

Timothy Naftali

So you were saying that the honorable thing if you don't agree with the policy is to resign.

Arnold Weber

Well, it's just -- you know, you're not going to 100 percent agree with everything, it's a continuum, you know, that strikes at it. Look, I mean, it might view -- be viewed as heretical and counterproductive in retrospect, but at that time, it seemed to be a policy direction or experiment that was worth taking. And it wasn't the United States, it was going on throughout the Western industrial world. And that was Sweden, France, Britain as I said before. The big problem was that once you got in it, it was how did you extricate itself, you know, so that you didn't have the bubble and all the pent up unions that felt that they were denied and the price limitations and the inefficiencies that have baked into the system, and how do you phase it out? And they never really figured that out. And it clearly, in an indirect way, contributed. You know, the third or fourth head of the council on price and wage stability was a colleague of mine at Chicago, Al Reese, who was a free market type. And then Barry Bosworth, who's still there at Brookings, and then a professor, I think, at the University of Michigan, and an acolyte of Kermit Gordon, who was on the pay board with me, and you know, just a first rate character and a

moderate, you know, a Democrat. And he was really enthusiastic about it. So those were different times, and you know, I'm not an adherent of retrospective purity on those things.

Timothy Naftali

Tell us why stagflation was such a challenge.

Arnold Weber

Well, you know, it was sort of the -- you've heard of optimum conditions, this is what economists call pessimism. [laughs] That's if -- that you were having high wages, you know, you were having inflation and the high wages and the like was constraining growth. So you weren't having the growth, the increase in the pie, but people had to pay more through inflation for additional -- for existing pieces of the pie. And economically, it's unsatisfactory. And there was also a rise in unemployment. You know, this was the era of the Phillips Curve, which has been modified, but still on a common sense basis, and it has credibility that -- you go up in wages and prices and inflation, you'll cause unemployment, although none of those were existing at that time, but a lot of it started to come up in the '70s. And remember the WIN program whip inflation now during the Ford Administration? Which was sort of another effort to move from actual regulation to systematic exhortation. So from an economist's point of view, there was a problem out there, and that was -- certainly the wages were -- I mean, this was the last stand of generalized union power in the labor market. And from an economic point of view, I would call it -- it was a case of bilateral oligopoly. And they just passed it on to the consumer. And the best example of that was steel. And that's because we didn't have many imports and you had a -- not a closed economy, a constrained and contained economy, in terms of pressures from abroad.

Timothy Naftali

You -- when -- you sized up the -- you wrote about the benefits of this 32-month experiment. You listed the draw down of strategic materials. You wrote that there were changes in agricultural policy that were beneficial. You said there was abolition of oil --

Arnold Weber

Did I write that?

Timothy Naftali

Yeah.

Arnold Weber

I don't remember that. Where did you -- where was that written?

Timothy Naftali

I think it was in the "Washington Post" or it was written in -- I'll show it to you.

Arnold Weber

I just -- [laughs] I might recant, I don't know. I just don't remember.

Timothy Naftali

How did you do with 4,800 people, whereas during the Korean War, it was --

Arnold Weber

Not 4,800, 400. Forty-eight people at the time.

Timothy Naftali

Forty people, but how many people?

Arnold Weber

Well you used -- if you count all the IRS.

Timothy Naftali

I see.

Arnold Weber

You know -- it was thousands to set up the office, but in fact it was run by the 40 people, and the rest of it in part. Look, if you step back and -- one of the four billion price transactions every day in the American economy and the like, and you're not going to control them all. So what you did is you tried to create an environment where the primary force was self-enforcement, and that was a combination of self-interest and fear, which is another way of saying self-interest, and in rare cases, patriotism. We never met a union that came in and said, "We're giving up that 10 percent increase, and knock us down to five five." All they'd do is scream at us. We were oppressing the working class. And I suppose to some extent we were. But looking back on it, it was a favored situation. Unions turned out, you know, in the early '60s reached its peak in membership as there's a percentage of the labor force, around 34 percent in the private sector. It's now eight or nine. And you know, the most dramatic case of what's happened to these guys, because of the globalization, code word for opening up markets, is the UAW. When I started in this area, I got a master's degree at Illinois in labor relations. You know, if you said the redhead, people didn't think you were talking about Rita Hayworth. They knew it was Walter Reuther, you know, and Walter Reuther was up there as a source of wisdom and liberalism and beneficence, and they put in the pensions and the wages, you know, and the medical care. And so we're at a stage where the average pay for a guy on the assembly line is \$75 an hour, and they're competing with Toyota and all the other people, and it took this 20 years for those pressures to be exerted, you know, on the union and the institutional arrangements, to what we've just gone through this year, junking the pension plan and setting up these [unintelligible]

having a two-tier wage system for new hires.

Timothy Naftali

Did you know you were going through a revolution then?

Arnold Weber

No, no -- too close to it and not smart enough. But we were an early participant, unwittingly or otherwise, in what turned out to be, if not a revolution, a transformation of profound effect. That's a nice word to finish it.

Timothy Naftali

Well let's finish with the Nixon story, I love that.

Arnold Weber

You said the Nixon story?

Timothy Naftali

Yeah.

Arnold Weber

When I was back -- subsequently came to Northwestern University where I was president, I was a member of the board of Aon Company, which is the second-largest insurance broker in the world, in 100 and some-odd countries. And its founder and the person who build it up initially was somebody called Clement Stone, who was one of the early and more generous supporters of Nixon during his political career, and particularly when he ran for President. Well, he was celebrating his 90th birthday -- this was somewhere -- 1992, '93, Nixon had long left office, and he was invited to the party celebrating Clement Stone's birthday. And I was invited, and I was there probably because of my association with the Aon Company, and through that, Clement Stone. And during the course of the evening, during a period between courses, I walked over to the table where President Nixon was sitting with Clement Stone, and I think they had Secretary of Commerce Mosbacher who was also a speaker. And I went up and I introduced myself, and I said "I had the privilege of serving in your administration, Mr. President." And he looked up at me, and you could see the flickers of memory going across his forehead, and he said, "Oh yeah, you were one of those intellectuals." And I said, "Guilty as charged." And he said, "What are you doing now?" And I said, "Well, I'm president of Northwestern University." And he replied, "That's a fine university, but you really ought to do something about that football team." And I said, "We're trying," and then I went back to my table. Well, the other end of the story is President Nixon was probably prescient, because three or four years later, we ended up going to the Rose Bowl, winning the Big Ten championship and going to the Rose Bowl for the first time in 48 years, as I recall. And for the campus and the institutions and the alumni, it was, you know, an epiphany, it was a religious experience, because we weren't known for our athletic prowess, and liked to think it would be difficult to obtain because of the academic standards and the quality of our program.

Well, when we went to the Rose Bowl, I was no longer president, I had just stepped down, but I went out there to the Rose Bowl, and they have these series of events in which alumni and groupies and

politicians come to enjoy the festivities and the occasion, and one of the last events before the game was a dinner at the Nixon Library in Yorba Linda. So we went down there, and before dinner, as I recall, they had a series of speeches. I was not on the list of speakers, understandably, because I was no longer president. But I talked to the chairman of the board, Howard Treanins, [phonetic sp] and I said, "You really have to give me five minutes up there, because I've got an anecdote that I can't resist, and it's particularly relevant to where we are." So I got up there and I told the story of my encounter with President Nixon and his exhortation to do something about the football team. And I said, "Here we are X years later at the Rose Bowl." And then in my best theatrical manner, I looked up at the sky -- the ceiling, and I said, "Well," and exited right. So that was a memorable event for me and an interesting juxtaposition.

Timothy Naftali

Professor Weber, thank you very much for your time.

Arnold Weber

Thank you.

Timothy Naftali

It's been great.

Arnold Weber

Thank you.