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Interview of Martin Anderson

Interviewed by Robert L. Hetzel

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Robert L. Hetzel: Your first contact with Arthur Burns was during the 1968 election?

Martin Anderson: No, no. I first ran into Arthur Burns when I was a professor at Columbia University. And he was a professor there, too. He was in the economics department and I was over in the Graduate School of Business, Columbia.

Robert L. Hetzel: And so what year was that?

Martin Anderson: Oh, I forget exactly what year I met him. But I went to Columbia in fall of 1962. And I stayed there until I left to join the campaign 1968.

Robert L. Hetzel: So you were a colleague of Burns?

Martin Anderson: Well, colleague, yeah. Except that I was in the Graduate School of Business and he was in the economics department. And as is probably true in most universities, they rarely speak to each other. So I forget how I met him. It may have been when Milton Friedman was visiting there for a year.

Robert L. Hetzel: '64?

Martin Anderson: Yeah. I forget the exact year, but I did get to know him while he was at Columbia. I didn't spend a lot of time with him, but I knew he was there.

Robert L. Hetzel: And what was your role in the Nixon campaign?

Martin Anderson: I was director of policy research.

Robert L. Hetzel: You were involved in the policy of gradualism, the macroeconomic policy of bringing inflation down without causing unemployment to rise significantly?

Martin Anderson: We didn't have that policy in the campaign.

Robert L. Hetzel: Okay.

Martin Anderson: I don't even remember.

Robert L. Hetzel: That was something the Council had put together. At that time, it wasn't talked about then.

Martin Anderson: Basically what happened in the campaign was that we had sort of a troika that ran the policy shop in New York. And then when the campaign started off, we were flying around. I went out on the airplane with Nixon and traveled with him and coordinated the policy with the speechwriters and the candidate. And then back in New York, the foreign policy defense stuff was coordinated by Richard Allen and the domestic economic stuff by Alan Greenspan, which is a fact in history that everyone seems to have overlooked.

Robert L. Hetzel: Yes. And Greenspan was involved in the '72 campaign, also. I got a letter that I found in the files where Greenspan volunteered to speak out on issues as an independent source on issues that were critical to the campaign. And then the idea was that he would be given the publicity. But in fact, behind the scenes, he would be in communication with…

Martin Anderson: I think that's actually relatively minor to what he did in '68 because, first of all, tremendous difference. The campaign in '68 was, you know, Richard Nixon running as a really long shot, Democratic registration two to one against him, trying to take power for the first time in many years. Whereas in '72, he was running as an incumbent. So that's a very, very different business.

Robert L. Hetzel: I want to make sure I'm recording. I think I'm okay. There was an incident in the campaign where a campaign aide was asked: "What was the difference between Humphrey and Nixon on unemployment?" And the campaign aide gave a response which suggested that Nixon would be more concerned about inflation than unemployment. And Arthur Burns was brought in and told the account to newspaper reporters about how concerned Nixon was in '59, '60 about unemployment and that Nixon was not at all indifferent to unemployment. Does that ring a bell, that event?

Martin Anderson: Who was the aide?

Robert L. Hetzel: Well, this is a story I read in Safire's book. And it didn't mention the aide, but it mentioned this. It was in how Burns was brought into the campaign.

Martin Anderson: Well, that's not the way Burns was used in the campaign. I assume that that happened. That's a very minor point.

Robert L. Hetzel: Okay.

[00:04:39]

Martin Anderson: Basically, what I recall happening is that when the campaign took off and we started campaigning, it wasn't the normal thing of having the staff say to the candidate, "You know, you really ought to talk to Arthur Burns." He was very familiar with Arthur Burns. Richard Nixon had enormous respect for him that he got while he was serving as Vice President and Arthur was serving as chairman of the Council for Eisenhower. And basically, I guess all parties concerned in Gaza wouldn't tell the truth about what happened. Basically, Richard Nixon had an enormous amount of respect for what Arthur Burns said and what his recommendations were. But he was impatient because the way Arthur would deal with Richard Nixon, Arthur treated him like a good young fellow that was coming along nicely, which drove Nixon a little crazy. And then he would, as he often did, and most people in politics when you're briefing a candidate or a president, you take the first 10 seconds, you tell him the important stuff, and then you tell him why. Well, Arthur didn't operate that way. He would sit down and he would pop his tripe [sounds like 00:06:01] and he would leisurely instruct Richard Nixon and very gradually move into what the recommendation was, which might be 20 minutes, 30, 40 minutes later. And so I remember one day Richard Nixon basically said to me, "Look, Arthur's terrific. I like him a lot. He's a wonderful man. Great advice." Et cetera, et cetera. "But I can't stand to sit and listen to him." He says, "You call him, you listen to him, and then give me a summary." So I did a lot of that.

Robert L. Hetzel: And so this was during the campaign?

Martin Anderson: No, no, this was during the campaign when things are very, you know, hectic. And you know, you don't really get to talk to anybody for more than three or four minutes at a time. And so Arthur was an important part. Then Larry [unintelligible 00:06:46] and I—I've got some files on it somewhere here—one of the things that we did later on was to set up a whole series of task forces, policy task forces. And Arthur was very instrumental in that and recommending the people and things. And the other thing I remember about the campaign—let's see if I can get it straight, now—Nixon had a lot of confidence in what Burns told him. In fact, I believe, sure, that's how Richard Nixon came to know George Shultz. After he had won the election and during the transition, one meeting with [unintelligible 00:07:33] they were looking for a nominee for Secretary of Labor. And Bryce Harlow was at the meeting with Nixon. And Arthur came in. I was there for some reason. There were about four or five of us in the room. And Arthur was the one who recommended to Nixon that there was this very sharp young fellow, actually, is what he called him, at the University of Chicago who had experience in labor negotiations, et cetera, et cetera, et cetera. And it was George Shultz. So that's where the name was put in.

[TAPES TURNS OFF THEN ON]

[00:08:14]

Martin Anderson: After Nixon was elected, basically, we had a special assignment from Nixon. He was in the Pierre Hotel; [unintelligible 00:08:28] the Drake Hotel. We had our own little headquarters. And I was functioning as Burns' deputy then. And we had three or four other people working in the policy research area.

[SOMEONE ENTERS THE ROOM AND THE TAPE IS TURNED OFF, THEN ON.]

Robert L. Hetzel: So as special assistant, were you involved in economic issues? Or primarily, what were you?

Martin Anderson: Before we get there, this is the interesting thing about what Arthur did. We went over and basically, we had the mission or the charge from Nixon to go through all the policies developed in the campaign. Everything he had said, everything that was in the platform and so on. I put together in one notebook a cohesive program plan for what all his domestic and economic policies should be. And I was Burns' deputy in that. And I had been working on it. So we went over. And this is the book which resulted from that. This is, I think, the only copy I've got on the stand here. And this is the report submitted to President-elect Nixon by Burns, categorized by all these various issues. And I think the underlinings are Nixon's underlinings of the copy of it.

Robert L. Hetzel: I've just gotten started on the Nixon Administration. Would you be willing to give me sort of a roadmap of who were the main individuals initially trying to set the economic agenda, being the ones who write the position papers for Nixon, and tell me something about the forcefulness of their personalities and also how they interacted with the gatekeepers, Haldeman and Ehrlichman, because it's relatively straightforward in the prior administrations, but all of a sudden we come to the Nixon Administration and you're reading memos and you're getting memos on economic matters from all different kinds of places and all different individuals.

Martin Anderson: Oh, but you always do. You always do in all administrations.

Robert L. Hetzel: That's right. But before then, it seemed pretty clear in the Kennedy Administration that the Treasury was the dominant source of influence. And then in the Johnson Administration, it's the Council of Economic Advisors. But in the Nixon Administration, it seems like advice is coming from all different sorts of quarters.

Martin Anderson: Like what?

Robert L. Hetzel: From labor, for example, with Shultz.

Martin Anderson: Right.

Robert L. Hetzel: That was very unusual for a cabinet person to have access to.

Martin Anderson: The Nixon Administration was, first of all, six years in office and two-and-a-half to three months in transition and a year to two years in campaigning. And what happens is that probably, I would argue that any of the domestic or economic policies, basically, they're laid in place during the campaign and the transition in terms of the general direction. Then when they fool around with them a little bit later on, they may change a little bit here and there. But whatever administration you're talking about, they're laid down in the campaign. A lot of people come in later on and recommend the same thing, but it's already been done. So you've got to go back to the roots of the campaign because I would argue that contrary to conventional wisdom, politicians, almost without exception, do exactly what they say that they're going to do. What they promise they deliver. And the reason we don't think so is that when they don't, it's big news. They read it about.

Here, I'll show you something else. We did something unusual in '68. We actually published books. These are books on all the positions on issues that Nixon took. Now, here for example, in these recommendations, here's Burns dated January 18, '69. And here is specific recommendations on Economic Policy Control Board, budget policy, [unintelligible 00:13:06 pension?] reserve, revenue sharing, grant aid programs, income tax surcharge [telephone ringing], tax policy, inflation, business. This is all Burns.

Robert L. Hetzel: Well, give me a specific example. One of the most difficult issues when Burns was elected was what to do about the income tax surcharge, right? Nixon had been critical of it during the campaign.

[00:13:40]

Martin Anderson: Well, let's see what he said. I've got it exactly myself, now.

Robert L. Hetzel: Well, eventually, he agreed to go along with it and ask for his extension. And during much of '69 they argued with Congress to try to get it extended. So at that time, who would have been the key sources of influence?

Martin Anderson: Well, you say, "at that time," what…

Robert L. Hetzel: '69.

Martin Anderson: Well, when, I mean? Early in the year is one thing, late in the year is another thing.

Robert L. Hetzel: Well, you tell me how it developed and eventually how did it fall out in terms of who are the major sources? I mean, somebody's got to be the one to give the President the memo that says, "These are the options, these are the choices. And you check," and so on.

Martin Anderson: I disagree on that. That's the way it's done in the textbook and that's the truth. But it's amazing how many things the President already knows exactly what he is going to do before anyone gives him a memo. And this is a formality and, you know, he's checking things. But I would argue that from what I saw, at least during the first year, institutionally, Secretary of the Treasury is a key advisor. The chairman of the Council of Economic Advisers is a key advisor. The head of the budget, we were going to call it budget girl [sounds like 00:15:09], even though it was male.

Robert L. Hetzel: Male.

Martin Anderson: He's a key person when it comes to budget policy. Early on, the person that dominated all of these in terms of economic policy was Arthur Burns, for two reasons: One, Richard Nixon had a long-term relationship with Arthur Burns, he trusted him; and two, Arthur was the best economist in there. Now, when Paul McCracken got appointed Chairman of the Council, Burns very deliberately pulled back from pushing economic advice because he had a great reverence for, you know, the institutional role of the Council of Economic Advisers, you know. And if he had wanted to play bureaucratic games, you know, he could have really dominated. But he didn't. He pulled back. So in that sense, Paul McCracken became an important voice in economic policy, the way it's usually done. But as long as Arthur was on the White House staff, it was the relatively unusual situation where it was a White House economy.

Robert L. Hetzel: So Burns had regular access to Nixon in '69.

Martin Anderson: Yeah. Sure. I mean, he wasn't in and out every day like Haldeman was. Sure, but sure. You know, I'd say he had the same kind of access a cabinet person had. In fact, I believe he had cabinet rank with the council at the time. I'm not sure.

Robert L. Hetzel: Yeah, I think he did.

Martin Anderson: Yeah. Okay.

Robert L. Hetzel: Kennedy didn't seem to have much influence from Treasury. He didn't have a real forceful personality?

Martin Anderson: No. Again, I'm a heretic on this. I don't think it had anything to do with personality. The basic position, there are, let's say, two keys to effectiveness in the White House. One is information. You have to know what you're talking about and have new information. And at the same time, have the, you know, right policy. And two is access. And you know, you can have all kinds of ideas and if you can't get in there, I'm not sure what Kennedy's ideas were. At least early on during that first year, I think President Nixon tended to listen a lot to Arthur Burns.

Now, not completely. One of the interesting things that I described in <u>Revolution</u> was that if he had followed Arthur's policies, he would have been a lot better off. But he didn't follow them completely. And I remember the one day when Arthur was selling him a sort of an overall framework, and it was very simple. First, you've got to keep a tight control on Federal spending so it doesn't get out of control. And then, in order to continue to stimulate economic growth, he recommended an across-the-board tax cut; five percent a year for three years.

[00:18:23]

Robert L. Hetzel: This was in ’69.

Martin Anderson: Yeah, which is, in retrospect, I think, you know, I remember during the early Reagan years that some people thought that guys like Arthur Burns and Alan Greenspan were trying to sabotage Reagan’s tax policy. But they didn’t know that, you know, many years earlier, Arthur Burns was representing the same basic kind of policy, which is a very simple, very fundamental one, which is control spending, lower tax rates systematically, and have a stable, predictable monetary policy. And when I went to work for Reagan, we had some of the same ideas, except we took the five, five, five and made it 10, 10, 10.

Robert L. Hetzel: So tell me again—I should read this in your book. I’m sorry. Which was it?

Martin Anderson: Revolution [phonetic 00:19:21].

Robert L. Hetzel: This one. Okay. What range of issues were you concerned with, did you deal with?

Martin Anderson: Well, that first year in the White House when Arthur Burns was counselor to the President and I was special assistant, but functioned as Arthur’s deputy…

Robert L. Hetzel: So then you put this book together, basically.

Martin Anderson: This was during the transition.

Robert L. Hetzel: Right. Okay.

Martin Anderson: This is the campaign. And then this is the transition.

Robert L. Hetzel: But Burns put together a series of papers on urban policy.

Martin Anderson: Those are taskforces. Taskforces. Then the next step in the White House was that—and these should all be in the Nixon Library—after this book was sent to the President and he would mark and agree and talk to Arthur and other people, and sometimes it would come from Haldeman, or whatever, what he wanted to do, then one of the things we did very often was to draft a letter for the President’s signature which would be sent to the relevant canon officer directing him or her to do whatever was in the plan. So this would come back to us and we would draft the letter. It would go over to Nixon, you know, read it and check it, sign it. Now, it would go to a cabinet official. And that would be the policy. And that's how it was set up. And the range was everything in the domestic area, everything across the board in domestic and economic policy.

Robert L. Hetzel: So you must have been involved in the Family Assistance.

Martin Anderson: Oh, yes. I wrote a whole book on that. It's called Welfare.

Robert L. Hetzel: Yes.

Martin Anderson: We spent a major part of the time up until August of 1969 in a very sort of a classic internal battle of the staff. And the net result was that President Nixon put forth a plan that was unworkable, it was an embarrassment, and Arthur and I told him so. And we also wasted a good part of the first eight months, which let the bureaucracy get big in the heels and made it very difficult for Nixon to do things in other areas. The Family Assistance Plan was one of the biggest policy mistakes that were made in modern times.

Robert L. Hetzel: So you were on the other side from Moynihan.

Martin Anderson: Oh, absolutely. I was number one on his list. And it's a fascinating story as to what happened and how it happened. But that's a whole different story. But one of the problems was, and why I bring that up, is that it was one of the great lessons that was not repeated when Reagan won. And in 1981, we didn't allow that to happen. The only people that came on the White House staff for Ronald Reagan were people that agreed philosophically with his views and wanted to implement his policies. Time for arguing about what the policy should be was done. That's campaign. The voters vote. And so we spent all our time with Ronald Reagan trying to say, "How do we get things done?" And that's how we got the tax cuts and the spending control and all the other stuff. If we hadn't got involved in that welfare mess, I would argue that we would have spent a lot more time on economic policy and monetary policy. But we didn't.

[00:23:01]

Robert L. Hetzel: To what extent did you get involved in monetary policy, the kinds of things the Council was concerned with? You know, there were various phases. The initial phase was to try to reduce inflation with a moderate rise in unemployment. And then there was the 1065 where they were going to try to increase the growth rate.

Martin Anderson: Of course, I wasn't involved. If anybody had any questions on monetary policy, they went to Burns. My recollection is that the whole shop, domestic policy shop, which was run by Burns, you know, what I can recall is that our basic attitude was, look, if that is an independent organization, then it should stay independent. And Art had a particular interest. He was interesting as a White House staffer because he came on as a counselor with the assurance that when William McChesney Martin's term was up, he would become the Fed Chairman. So this was a holding operation.

Robert L. Hetzel: So after Burns went to the White House, it's your impression that McCracken and the Council, along with George Shultz, were the major influences of domestic policy?

Martin Anderson: On economic policy.

Robert L. Hetzel: Yeah, I mean economic.

Martin Anderson: One must understand the welfare debate because it dominated the domestic side of the White House the first year. And it led to a number of things. It led to the President getting very impatient with his staff fighting and not giving him nice, clean options as to where he could go. And especially he wanted to do welfare reform and it wasn't coming to him. And he disliked welfare workers enormously and he wanted to cut them down. So one plan would come forth and Moynihan would say, "This will reduce welfare workers." And Burns and I would come in and say, "What he says is not true," which we were correct, it would not. And finally, the President threw up his hands and basically called in Ehrlichman and said, "You get this thing straightened out."

So by the end of the year, Burns is getting ready to go over to the Federal Reserve. John Ehrlichman was de facto in charge of domestic policy. And not that notable an expert in domestic policy. Haldeman was, you know, a very powerful chief of staff making everything, all that paper flow, go very nicely. And I'd say by the late fall, you know, early 1970, Arthur was over in the Federal Reserve. Paul McCracken emerged as the chief economic advisor. And because the President liked George Shultz a lot and liked his advice and thought he was very sound guy and so on, and all the role that he played in trying to resolve some of the issues in the Family Assistance Plan, I think he took more of a role. Kennedy and Mayo didn't seem to have the normally strong role in common. And then, I'm not sure, I'd have to refresh my memory on some of those things.

Robert L. Hetzel: On the issue of incomes policy that Burns pushed after he became Fed Chairman, how sensitive was the Administration to complications with organized labor over that? I mean, was it only the Teamsters Union that supported Nixon politically, or was Nixon concerned about labor in general, about their attitudes and positions and controls?

Martin Anderson: I don't recall exactly what it was. I believe it was the Teamsters. Well, there may have been one other smaller union, but that was the only major union that supported Nixon in '68. It was a very unusual thing. The income policy debate, I recall quite a bit of debate within the White House staff on that. Refresh my memory.

[00:27:35]

Robert L. Hetzel: Well, the general situation was that Burns wanted some kind of incomes policy, which was very vague. But basically, it was a wage-price review board because in 1970, you got a recession, but the inflation rate didn't respond. So Burns believed that was primarily due to cost-push inflation and union power. And Burns wanted Nixon to take on Davis-Bacon and be more aggressive with the construction industry and so on. And he had some support within the Administration; Romney and Kennedy and Charles Volcker at Treasury. But considerable opposition initially from Shultz and Stein. Although later on, McCracken becomes more…

Martin Anderson: Well, Stein wasn't there, was he?

Robert L. Hetzel: Yeah, I think he was there. Not as chairman, but as a member of the Council of Economic Advisors.

Martin Anderson: Oh, okay. I'm sorry. Yeah. Okay, yeah.

Robert L. Hetzel: And it was in part that outspokenness that caused a lot of friction between Burns and the White House because it was the Democrats who were saying that Nixon didn't have a plan for getting inflation down. And so it caused a considerable annoyance that Burns would seem to be silent.

Martin Anderson: I recall Arthur had presented a very powerful economic strategy to Nixon. And the part that Nixon didn't follow—well, both parts—he did not control spending. And people would come in and make a case for another 15 million here, 100 million there. I mean, by today's numbers, it doesn't seem very big. But then the spending was moving out. And I know Arthur was concerned about that.

Robert L. Hetzel: Well, but Burns was pushing for tax cuts through '71, even though the Administration was negative. So that was later. Although I think the [unintelligible 00:29:50].

Martin Anderson: Art had great ideas. I think he had real good political instincts. He not only wanted tax cuts; he wanted to control spending and he wanted the White House to set the example. And I remember one he proposed to me was that the best way to do this would be to have the top guys set the example. So the White House should—the President, and the White House staff and the cabinet—all take a 10 percent cut in their salary.

Robert L. Hetzel: Yes.

Martin Anderson: And I thought it was a great idea. And I think it would have been terrific and he could have done a lot. But what happened if I remember—I mean, I have to check the cabinet records—came in and Romney heard about it and decided if 10 was good, I need to do a lot better. And he proposed a 25 percent cut, which killed it.

Robert L. Hetzel: Did he want to kill it?

Martin Anderson: No, no. He was just enthusiastic.

Robert L. Hetzel: Just got carried away.

Martin Anderson: Just got carried away and said, "We've got to cut 25 percent of our own salary."

Robert L. Hetzel: I guess he had money on his own, probably.

Martin Anderson: I don't know. I don't even know if he did. But Romney, when he'd get enthusiastic, see he didn't think of—But that was one of Arthur's things, the idea that we set the example. If we're going to control spending in the Federal government, then we take the first kick. Which I think is a good policy. Never was done, though.

Robert L. Hetzel: Burns had a very on/off relationship with the Administration. After he became Fed Chairman, when he felt like his views were not being listened to, he would criticize the Administration publically before the Joint Economic Commission and various sorts of speeches. And especially on the issue of incomes policy. You became involved in one of those disputes in July of 1971 when Burns criticized the Nixon Administration for not being forceful enough on inflation. And apparently, then, that angered Nixon and he let Charles Colson plant a story in the New York Times and Burns had asked for a pay raise. But weren't you involved in that? Didn't Burns come to you after that and talk to you about how this story got…

Martin Anderson: Yeah. Let me just back up because I'm pleased you brought it up. I had forgotten completely about it. But I left the Administration, I believe, in late March of '71.

Robert L. Hetzel: So you could kind of be arbiter since you had already left. And Burns knew you.

[00:32:30]

Martin Anderson: Yeah. And now it comes to mind there was something—As I said, I'd have to go back and look at files and records, but that's the only reason why I'm trying to do this. But that sounds right because there was some story, and I do remember now talking to Arthur, where some things were being said that weren't true. You know, one of the things that Chuck Colson did before he found God [laughter].

Robert L. Hetzel: As I say, I've just begun to talk to individuals, but in talking to people, particularly economists, the people who worked for him had a lot of admiration for Nixon. He was very able. And economists thought he was very capable in terms of being or think in terms of, well, trade-offs, cost benefit analysis, what are the pros and cons. And he could keep track of complicated issues. He was interested in the issues. Would you be at all willing to speculate how a guy that able and that capable could have gotten into the trouble he did with Watergate?

Martin Anderson: Sure. I think now that the 20 years of political dust has settled, the record is clear. But unfortunately, not many people want to go back and sort of say, "Well, what really did happen?"

Robert L. Hetzel: Yeah, people want to create caricature and say, "Oh, you know, it was all white or all black." And that's why it's important to think about it because it was not that way at all.

Martin Anderson: And the caricature of Watergate was one where the President of the United States, who was, you know, portrayed as someone who was ruthless and would do anything to win an election and instructed his boys to go in and rifle the files of the Democratic National Committee to get secret data and use the CIA. And then when they got caught, lied, did everything to cover it up, destroyed tapes, et cetera, et cetera, et cetera. There are two books out. One is called <u>Secret Agenda</u>.

Robert L. Hetzel: Secretive Agenda?

Martin Anderson: No, <u>Secret Agenda</u>. And the other one [unintelligible 00:35:03] which is built on that one. And the first one that was written was a liberal Democrat reporter who basically wanted to put the final stake in Nixon's coffin…

Robert L. Hetzel: Right.

Martin Anderson: …in the eighties--Oh, the second book was called <u>Silent Coup</u>—and used the Freedom of Information Act and started requesting documents from the FBI and various places to write this definitive work. And as he did so, he discovered that a lot of the papers, the evidence, did not fit what was going on. And he wrote this book called <u>Secret Agenda</u>. And then there's another book which came out called <u>Silent Coup</u> which built on the same basic thesis and expands it. And I think right now, there's no question that Richard Nixon did not order the break-in, did not know about it, Halderman did not know about it, Ehrlichman did not know about it, Mitchell did not know about it. They were stunned when it happened.

Through a quirk and, I would argue, a bit of bad personnel judgment on President Nixon's part, as they started to look into this, the person who was the White House counsel, the normal person to look at that, was a guy named John Dean.

Robert L. Hetzel: Sure.

Martin Anderson: Who I kind of know. He had an office a couple doors down from mine. And I don't think anyone realized the extent to which John Dean was a completely dishonest person. I mean, he would do anything to save his skin, including telling the truth. And the President basically put him in charge of the investigation. "What's going on?" And they were given bad information about the extent of what had happened and why it happened. It was a big puzzle. And I think that it's very clear that early on, they decided it was minor, it was embarrassing, and they did try to cover it up. And once they get in, they get in deeper and deeper. And they didn't know quite what they were getting into. And one fellow did know, and it was John Dean.

Robert L. Hetzel: Mitchell was the Attorney General. Shouldn't he have been the one to make sure that it was…

Martin Anderson: Oh, sure. There were times when Mitchell used abominable judgment. For example, when Gordon Liddy and John Dean went in and they made a presentation as to, you know, how to do opposition research at the convention. You know, I used to do opposition research, but we used to do it through reading newspapers and go to the library. And the public record has got everything you need. And these, you know, idiots were talking about, you know, hiring prostitutes then putting them on a yacht down in Miami and all kinds of nutty things. And the Attorney General should have just fired them all right there, but he didn't. But that's different from ordering the actual break-in and then following through.

You have to read the two books. I mean, these are very powerful books. But the reason why most people don't like the books is that it screws up all the preconceived ideas you have about Watergate. And you've got to rethink the last 20, 25 years. And it was very messy for most people. They don't like to do it. But what most people know and believe to be true is simply not true. So you said how could he possibly have done that?

[00:38:48]

Robert L. Hetzel: Well, no, I did not say, "How could he have authorized the Watergate burglary?"

Martin Anderson: Okay. Sure.

Robert L. Hetzel: That's not the way things work. This is, how could he let it get so far out of hand as to not be recoverable?

Martin Anderson: I think the answer is because he was deliberately misled at a critical time by John Dean.

Robert L Hetzel: And you don't think it was also Halderman and Ehrlichman who didn't want to tell Nixon how serious it was; that he didn't get the information he needed when he needed it? They wanted to believe that it could be taken care of, but they didn't confront him.

Martin Anderson: No. The way the White House works is that I think Haldeman and Ehrlichman were misled, too. That's a very tight group, the Haldeman, Nixon, Ehrlichman apparatus. And everyone kind of forgets that while all of this is going on, these guys are trying to run the government. And they're dealing with the Soviet Union. And Haldeman's got a million things to do.

Robert L. Hetzel: Yeah, nobody wanted to hear about that part of it, even though they tried to tell about it. I can remember that [unintelligible 00:39:56]?

Martin Anderson: And as I said, if you read these two books, Secret Agenda, which is very hard to get now, by the way. You may not be able to find it. And then Silent Coup. Read one and then the next one. Yeah, I think at least it makes it understandable how a smart, tough person like Nixon could get in this mess. And he admits it was a mess, sure.

Robert L. Hetzel: How did you get back into politics in the Reagan Administration? Were you involved in the campaign?

[00:40:35]

[END TAPE 2, SIDE A]

[START TAPE 2, SIDE B]

Martin Anderson: It's not that I don't feel that way. It's that I have got the papers and evidence to show that that's exactly the way it happened. It was all written out, down, spoken, laid out on the public record.

Robert L. Hetzel: Would you be willing to tell me your story again, this time on tape?

Martin Anderson: Yeah, sure.

Robert L. Hetzel: About Nixon. Reagan's first encounter with Paul Volker.

Martin Anderson: Oh, that one, yeah. Okay. We'll jump a little bit ahead. I forget the exact date, but shortly after Reagan took office, he systematically set out and he went up the Hill and he met with congressmen, he met with the congressional leaders and was going to visit the Supreme Court. And had this idea, why don't I go over and visit The Federal Reserve? And I think we all thought it was a good idea. But when it was proposed to Paul Volker, he was quite apprehensive about it. I think he was just basically concerned about the propriety of the President going over, it would have looked like it was compromising the integrity and independence of the Fed.

Robert L. Hetzel: Yeah, absolutely.

Martin Anderson: And the traditional thing has been for the Chairman of The Fed to be summoned to the White House. Well, but that wasn't Reagan's style. So we went back and forth. Listen, I don't know who worked it out, but the final resolution was there would be a lunch at Secretary of the Treasury Don Regan's office over in the Treasury Building. And it was a very unusual lunch. I remember that day that Reagan decided to walk over. And I remember, and there were other people there, I think, let's see. I think Ed Meech was at the lunch and Jim Baker and David Stockman. Probably Murray Weidenbaum, too. He was on board at that time. Anyways, we walked out the front door of the White House, went to Pennsylvania Avenue and turned right and headed on right down to the Treasury Building with the Secret Service running along and people kind of startled that…

Robert L. Hetzel: Yeah, sure.

Martin Anderson: … a real, live president walking right outside on a nice day. And, by the way, they, the Secret Service man said, I don't think he'll ever do that again. So we got there and it was a nice lunch and Mr. President sitting at the head of the table. And Volker, I believe, was sitting to his right. And I recall that as we sat down, it was within a few seconds, president sat down and turned and looked around the table and looked straight at Volker and said, you know, he said something about, "I've been wondering," he said, "During the campaign," he said, "I sometimes get questions and I get letters and why do we need a Federal Reserve System at all?" And it was a serious question. And, but for a few seconds, Volker was absolutely, I mean, he had been smoking a cigar and his jaw dropped and he, you know, look of disbelief. And then he realized that he was not being kidded, that this was a serious question. And that if he didn't answer it real well, he might not be at the Federal Reserve. So he took a few deep breaths and came back and gave within a few minutes the most eloquent defense of The Federal Reserve to my memory. It was very nicely done. And the President Reagan listened and listened and said, you know, "This is okay," And we went on and discussed other things.

Robert L. Hetzel: [40:11]: So it's your impression then that Reagan basically left The Federal Reserve system alone while he was…

Martin Anderson: Well, yeah, sure.

Martin Anderson: Because he agreed with Volker that we needed to get inflation down.

Martin Anderson: Yeah.

Robert L. Hetzel: That was part of how he was doing it.

Martin Anderson: Well, well, that was—it was I think more of a, I would say, almost a higher reason. We had some internal debates. One thing—one lesson I have learned very well from Arthur Burns and also at the time, also at the time, Arthur Burns was a major part of the Reagan campaign. This was how we put together the economic policy for the campaign. And one of the things we had during the '80 campaign, we had something like 40, 45 different policy task forces set up working, maybe about 640 intellectuals. We had a real army, which the president didn't pay much attention to. But anyways, in economics, which we thought was the key, we had six separate economic policy task forces and one overall economic policy courting committee. So, for example, the budget task force was chaired by Alan Greenspan. The inflation policy by Paul McCracken. International monetary was Jay Arthur Burns.

Robert L. Hetzel: [45:40] Maybe I could get a photocopy of that.

Martin Anderson: Oh, I'm—you can hold that.

Robert L. Hetzel: Okay.

Martin Anderson: Regulatory reform, Murray Weidenbaum. Spending control, Casper Weinberger. Tax policy, Charlie Watson. And Michael Bosco was the second one. Then on the [inaudible] [45:54] on the coordinating committee of the whole thing and there was quite a bit in the six, you know, each chairman of the six task forces was a member of the coordinating committee. Plus, Milton Friedman, Jack Kemp, James Lynn and then George Schultz was the chairman of the whole thing. And then during the transition after Reagan had become---was the President-Elect, and I describe this in the book *Revolutionary*, one of the things I suggested was that my old friend Dick Allan who was then becoming National Security Adviser, he was resurrecting the president's foreign intelligence advisory board, which had been started with Jack Kennedy. Well, sorry, under Eisenhower, very important under Kennedy. And it was the idea to bring in a group of private individuals to advise on and give advice on overall intelligence policy. So I looked at that and I thought—so I borrowed his executive order and recreated and suggest that we also set up the president's economic policy advisory board. Have a group of outside economists who would come in and sit down and directly advised the president on economic policy. And that was opposed mightily by the Secretary of the Treasury, Chairman of the Council of Economic Advisers and the head of Olympic. That's the reason Weidenbaum was fired, that's the group that Freidman would come in on and talk to.

Robert L. Hetzel: Exactly.

Martin Anderson: And thought they would lose their influence, it doesn't—it seems hardly—you don't ordinarily create a bunch of academic economists…

Robert L. Hetzel: Well, hold on. This is a very different—this is George Schulz, Milton Freidman, Alan Greenspan, Arthur Burns

Martin Anderson: They were out of academic…

Martin Anderson: They were terrified.

Robert L. Hetzel: Yeah, yeah. And you can see why.

Martin Anderson: Because these were people who came in as almost peer to the president. Had no vested interest, no institutional interest. And were certainly not shy about laying out their views with great force.

Robert L. Hetzel: That's for sure.

Martin Anderson: And were not even shy about criticizing people—I mean because, Bill Simon was a member too.

Robert L. Hetzel: None of these weren't exactly your shrinking violet type.

Martin Anderson: No. I mean these are people who had been chair of The Fed. Who had run Secretary of the Treasury, who had been Chairman of the Council.

Robert L. Hetzel: Sure. Sure.

Martin Anderson: And had done it better you see than… and what happened was interesting. It was a very powerful group because of that first year when the policy had been set during the campaign and locked in the transition, when there were deviations, for example. I remember Stockman and Don Regan would get quite upset when the deficit started to widen. We had to postpone the tax cuts. And basically what I would do is go down and put a phone call into George Schulz and say, it may be a good idea to have a meeting. He would call a meeting. We would come in. We did this six times in the first year. And call all this group in and they would sit down in the Roosevelt room, usually the Roosevelt room and meet for a couple of hours from nine to 11 and then we'd go and open up and President Reagan would walk in. And very unusual. He would; just walk in and he really, he liked this group of people. He thought these were fun. This was his private advisor group who gave him straight advice. Now you know Don Regan and Stockman and Weidenbaum, they're all sitting there. But he would come in and he would usually, you know, wink at Milton Freidman and go over and shake hands with Eisner and laugh and giggle and talk to George Schulz and to Bill Simon. And I think they were all friends.

Robert L. Hetzel: Sure.

Martin Anderson: And then George Schulz was chairman, and would take about ten minutes and sum up everything that had been discussed. And said, bing, bing, bing, bing. And they'd open it up. And the President would say what he felt and they would say… in my—I remember, I've got notes that I kept bringing to meetings. And basically the basic—what this group did, they said look, you know, what-what you're doing in terms of economic strategy is exactly right. You know, stick by it. This is terrific. And they reinforced tremendously what president Reagan was doing that first year. And I would argue, and I'll just—no one else was paying attention, but then look at that group. I don't think you would have gotten his economic plan done. Because the way the institution works, you know, people were getting shaky. Now with coming back with—starting out with Volker, the basic attitude about The Fed, there were some people internally arguing, oh, my God, you know, The Fed is too tight.

Robert L. Hetzel: It was tight.

Martin Anderson: Yeah. But the predominate view was and Burns was a very, very strong exponent of this. He goes look, leave The Federal Reserve alone. This is an independent group. Do not try to lecture them or talk to them, etcetera, etcetera. That was the first thing. Leave them alone. And you know for first—you know, for a good ethical reason and second as a practical reason. If you do try to fool around and change them, then they'll probably do just the opposite. So leave them alone. They're okay. And then periodically, Volker would come over and meet the president. I remember during the first year, I even—I used to attend some of the meetings. They would go in and sit down. Basically it was just a very friendly meeting, laugh and tell—joke a little bit. Volker would give them information, what was happening, summing it up and so on, and then ask you a question. But never did Volker try to, you know, say this is what you should do in fiscal policy or never did the president say well, you should go easier on rates or anything like that. So it was very careful separation. And I think a lot of that was due to Arthur Burns' influence as the former Chairman of The Fed, now saying this is how it should be done. Technically. I'd love to go back to my file because I think I even recall some-some way when the debate really started to heat up about we got to try to influence the Fed, and then Arthur stepped in. Couldn't swear to that.

Robert L. Hetzel: [52:36]: August of '81 was when interest rates, federal funds rate got up around 21 percent. So and that was the longest restrictive. And even then your recollection is that Reagan was willing to let The Fed trust its –trust its judgement.

Martin Anderson: This was something which was agreed and, you know, the people really involved in politics, whether it was Ed Meese, Michael Deever, Jim Baker, they all had that basic idea of look, leave it alone. And of course it was, you know, working properly. The only thing I remember, we used have the first year there was –they normally have a troika, we had a quandary, that was every Tuesday morning, I think it was, we met for breakfast at Regan's office. Regan, Stockman, Weidenbaum and myself. And we went over where the economic policy was. And I think the only problem they had with monetary policy is that it was screwing up their projections. That inflation was coming down much faster than anyone thought. And on the one hand, everyone was very sort of delighted and pleased. That this is terrific, look at, you know, the thing is coming down. And on the other hand Stockman was going crazy because he said, look, this is not producing revenue here. I've got a problem.

Robert L. Hetzel: Right. Yeah.

Martin Anderson: And as budget director, he had a problem. And I think he was primarily concerned with how he looked as budget director.

Robert L. Hetzel: So at this time the criticisms that people like Paul Cray Roberts were making of the Fed for fuelling supply side economics and torpedoing the projections that the budget would come back into balance and blaming the Fed for that, that all came later. That-that was after the fact of the criticism…

Martin Anderson: Well, there were-look, there were a lot of people there, people. Look, there are people in the press writing all kinds of stories. I mean, you had Jude Wieneski and those people saying that they were running the thing and they were doing this. And people were getting suspicious and paranoid and all kinds of things were being said. What I would argue is that you really got to be careful of the press reports because what you had was a press dominated by left wing liberals and no question, 80 to 85 percent of the reporters, maybe more, could be staff members of Democratic National Committee. And they were horrified at what had happened. There was this cowboy in their midst that had taken over. And he was, the rascal was doing these things. And the Democrats were just going crazy. So there was a lot of misinformation that was getting put forth. So you almost got to go back and say okay, look, you know, who was he talking to. And in terms of the economic policy, it was very simple. I'd say there were three levels of advisors. The first, important levels. The lowest level was the staff. Secretary of The Treasury, Chairman of the Council, head of Olympic. The second level in terms of overall strategy was this outside economic group that came in. And there was just no contest. When there was a disagreement between, on the one side, Don Regan and Stockman, and on the other side, Arthur Burns and George Schulz and Milton Freidman and Bill Simon, the President knew who was right.

Robert L. Hetzel: Yeah, that's interesting.

Martin Anderson: And then the third level was the President. And everyone forgets that when he was at Eureka College he majored in economics. He knew the basics of economics. When we were traveling in the plane on the campaign discussing things, he felt very comfortable with economics. He had no problems with basic policies. He liked to refine them, but he was a very much his own economist. Someday, I'd love to go back and find what book he used at Eureka. But he had it down pretty good, you know.

Robert L. Hetzel: Okay. Well, it's been very helpful. And very interesting. Especially the last bit of insights into policy during the Reagan administration. I'd not heard that. And so that's…

Martin Anderson: Well, it ruins a lot of good theories as to how it was done. This is—for example, there is this one thing. I'm going to give you—I've got a paperback version of this <u>Revolution</u> and I'll give you a copy. I guess it's a promotion copy. But for example, there was this great myth that spread all over the country about Reagan all going around and all you can do is cut tax rates and get more revenue another way. That was nonsense. I mean and I-I describe in the book how I call people who had put that out like Marty Feldstein and Alan Blindly. And I'm going to read something from the book. Let me give you an example of the kind of stuff that was out there.

[00:58:37]

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