

Exit Interview with Orin Kramer, Assistant Policies and Issues Director

Interviewer: Emily Soapes, Presidential Papers Project

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Transcriber: Lyn Kirkland

Soapes: I have found out that you have been Assistant Policy and Issues Director in the '76 campaign.

Kramer: Right.

Soapes: Is that how you met Mr. Eizenstat?

Kramer: That is correct.

Soapes: You had not met him before that?

Kramer: That is correct.

Soapes: And what does an assistant Policies and Issues Director do?

Kramer: I joined the campaign in April of '76, initially writing speeches. I was doing some work with charity. And then I moved to work with Eizenstat, basically setting up and then coordinating the issues, the outside issues---task forces, for the President. There were task forces set up in each particular issue area...health, education, and housing, etc., and those task forces had created problems for past campaigns in the sense that they tended to often take, as is happening with the Reagan people, they tended to take positions publicly which may not be consistent with the candidate's position, etc., and it's basically an effort to try on the one hand to bring the legitimacy that those people bring to a campaign to the campaign, get the value of their advice where it is useable in a campaign context, but avoid structuring in such a way so that those people, by virtue of having been elevated to being presidential advisors, can embarrass the candidate and in any event, the task was setting up those task forces, getting people to serve on them and setting up work for those people to do such that they would be happy that what they were doing was productive in terms of the campaign and not embarrassing. Those task forces had been set up by July and in July I in effect became Eizenstat's deputy. The task force function per se, sort of executed itself during the fall that their work had been set up during the spring and during the fall, it was basically a matter of, well I guess the responsibility that I was supervising the issues staff during the campaign under Eizenstat, which meant the normal things that a deputy does to make sure that the various.....generally that there would be two or three pieces of paper a day that would go to the press either in some form of briefing material or something that was being announced that day and it was basically a matter of coordinating of

that work, getting it done....making it consistent with what you were trying to do in the campaign and getting it out.

Soapes: Would you have said something about it as well?

Kramer: Yeh, oh, that is a lesser part of it. It was basically a matter of going through the work that the various issues people did in the respective areas and making sure that the papers they were turning out made sense in terms of what we were trying to do in the campaign.

Soapes: Eizenstat was on the scene in Atlanta. He didn't generally travel with the candidate, did he?

Kramer: Correct. Until the latter part of the campaign. He traveled more and more.

Soapes: What was it.....you were a Wall Street lawyer, I guess, before you came to

Kramer: Years ago.

Soapes: OK, that was what you told me.

Kramer: No, I had been in government and I had been in various government jobs in the period prior to leaving Wall Street before coming to the campaign.

Soapes: And what was it that attracted you from what you had been doing to Jimmy Carter as a candidate?

Kramer: Uhh, I suppose there were a whole variety of reasons. I thought that.....well, there were things that were particularly attractive about him. His manner. The fact that there could be a relatively liberal candidate from the South? I think it is more impressive to have been a liberal from the South than a liberal from the standard liberal northern constituency.

Soapes: Carter...

Kramer: Well, it also shows something more about his instincts than it does when you simply reflect the views of whatever constituency you came from.

Soapes: Yeh. Uh huh.

Kramer: It was clear that he was very decent and in a strictly political sense I was just impressed by his ability as a candidate. It just seemed to me that the message that he was communicating as an outsider--- a series of messages he was communicating---a number of which ultimately made it more difficult to govern, but the messages that he was communicating as a candidate were far more effective than those being communicated by anyone else from the Democratic party and my own judgment was that if there were going to be a Democratic President elected, it was going to be Jimmy Carter.

Soapes: You must have come to the DPS at the beginning of the campaign.

Kramer: Correct. Right.

Soapes: Because I have seen an interview that had been done with you and Kirchenbaum and somebody else in the New York Times shortly after.

Kramer: Correct.

Soapes: You talked about what you were going to be doing was integrating urban policy, upgrading hard infrastructure, and putting leverage on private sector participation. There are many of us that don't know what that means.

Kramer: I basically tried to move my way out of urban policy and when the president announced his urban policy in March '78, shortly after that I basically moved out of it, so I haven't been doing it for the last couple of years.

Soapes: You've been dealing strictly with the housing?

Kramer: Well, housing and really more banking. Well, housing, banking, and finance...probably as much banking if not more than the housing.

Soapes: Have you then had input to that ... urban policy

Kramer: Yeh, I was the urban policy person during the period leading up to the announcement of the urban policy.

Soapes: I heard you had a great deal to do with the shaping up of the policy.

Kramer: Uh, yeh, ultimately what ended up being ...well, the most important things that we did in urban policy or some of the most important things that we did in urban policy were done as part of the President's 1977 legislative program which were not characterized as an urban policy as such. Had it been characterized as an urban policy, it probably wouldn't have passed. It was the Economic Stimulus Program.

Soapes: Yeh.

Kramer:...which, for example, in terms of New York City, poured \$600,000,000 into New York. The Economic Stimulus Program in 1977 provided more assistance of the sort that the older cities need

Soapes: Yea.

Kramer: ...money...than they were able to get in anything else that we did subsequently. For a variety of reasons, the mood at the top.... congress changed, etc. If you really want to talk about what he did in a concrete sense for cities, two things in '77: (A)-the Economic Stimulus

Program and (B) the Urban Development Action Grant Program in HUD, which is that leveraging program. Basically, the theory is instead of just putting in a federal dollar, put in a federal dollar where you have a commitment that there will X number be private dollars invested in the same project and the theory therefore is the federal dollar will generate private investment that wouldn't otherwise occur in that area. That program is generally regarded now as a great success.

Soapes: Yes.

Kramer: I am not sure if it really is a great success. It is a success in the sense that they got a lot accomplished which they demand when the projects are going. What you don't know is number one, to what degree were those projects simply going now because you had some degree of an urban revitalization in a lot of older cities. I wouldn't say in the aggregate that they was an urban revitalization, but you had some improvement...some building... and you had an upsurge in the economy generally over the last several years, so did you have the activity because of that or because of the program? That's something that's not so clear right now. And secondly, I think the concept of the urban development action grant program is good in the sense that number one, you are trying to put money in the areas where it benefits low income people, creates a lot of jobs, etc. That is something that you can't do through tax policy. If you do something through tax policy you create an incentive, say, you build such and such kind of structure, we're going to give you money for it. You have no way of culling out the guy who clearly would have done it even in the absence of that incentive, so that dollar's wasted to the degree that you may be building in an area that there is already an enormous amount of economic activity. You have no way of culling that out, so the concept of UDAG is superior to tax incentives, but even with like tax incentives you are going to have a certain amount of substitution, that is funding a project which the guy claims wouldn't exist but for the federal grant but which in fact would have existed even in the absence of the federal grant. So, whether it is as successful as people perceive it to be is a different issue, but the point is that was done in '77 and it was major... a major initiative. The formal urban policy as such from '78 was a smorgasbord of things in a variety of different areas. I think the most important things in it were: number one, a further commitment to private economic development and number two, the fact that there would have to be urban impact analysis made every time a decision was made. If that were put into effect then...I don't know...I would question to the degree in which, for example, the upcoming administration would take that sort of thing seriously. If one did take that seriously, then it would be important, because the most important thing that the federal government does to hurt cities are not things that it does directly to the city but things that are done with other policy objectives in mind, i.e., building highways. You build highways for a whole set of reasons, not many having to do with cities, but the net effect of building highways net effect of FHA is to hurt cities. You're not necessarily going to be able to stop those decisions from being made but you can at least make sure that those decisions are made with the impact on cities in mind at the time they are made.

Soapes: Then with this urban policy did you work with Tricia Harris then on loans and in contacting the agencies?

Kramer: Well, Pat chaired it. We began; I guess it was in summer of '77, I'm not sure, working toward this urban policy. At that point Donna Shalala at HUD was the head staff person—she was Assistant Secretary for Policy at that time-- and subsequently Pat---when we began getting to the point where it had become clear that there was going to be a major effort made and there was some dissatisfaction with the way in which the effort was evolving, although I don't think it is fair and fact to blame Donna for that, for whatever the reasons, Donna ended up leaving that task and Embry ended up taking it over and, yes, on the staff level, Embry was the major contact on it. The policy itself, what was ultimately in it, was really a function of discussions between a couple of people at OMB and our staff and most of the decisions, I guess, as to which programs would be involved, I think there were 18 different programs, 18 different specific proposals, were ones that were made within this staff. That involved Eizenstat, Carp, Ralph Schlosstein, Bill Spring, and myself. Well, Ralph came into Art's staff during that period when the urban policy was being put together and stayed, and stayed in that area.

Soapes: I wanted to ask... [Voice trails off]

Kramer: No, basically my ability to get out of urban policy was based on Ralph's coming over...which is something that I had asked Bert to do.

Soapes: I see. I haven't talked to him yet...to Ralph Slozstein.

Kramer: I mean Ralph.....while I went through that process with Ralph, in terms of the urban policy since then, Ralph is a much better person than I am to talk about it.

Soapes: Ok, ok, but he wasn't in on the formulation.

Kramer: He was, correct.

Soapes: Parts of it.

Kramer: In the critical stages, in the last whatever it was, I think about three months, he was involved.

Soapes: In that work, or even in what you have done with housing, have you sensed what we read about the anti-federal feeling of the times...of wanting the government off their back...the Ronald Reagan spree.

Kramer: Well, I don't know if I would put it in terms of an anti-federal feeling, in that sense that any particular area, well, let's take them one by one. In urban policy it wasn't an anti-federal feeling. What there was was a sense that the population was moving. You had two things happening in the congress: number one, relative reduction in the political strength of cities

or older cities, *vies a vies* the rest of the country; number two, generally, an increasing sentiment against unrestricted aid to cities.

Soapes: Yeh.

Kramer: You had those two things happening, and I guess a third thing which is a lack of economic growth. It was the lack of economic growth that really contributed to the increasing sentiment on the part of other cities that we want to get a piece of what's been going to these older cities and so you had the administration sort of operating at cross purposes trying to target relatively more assistance to areas of greater need, partially, because by most objective indices those are the areas that need the greatest help, and number two, because those areas tend to be areas which form basic Democratic constituencies...large urban areas in the mid-west and the northeast, but in pushing in that direction we were pushing against a grain in congress. I don't know if that is so much getting the federal government out of our business, because the representatives from other areas had no objections to federal funds going into their districts. They were against the targeting to somebody else.

Housing----again, the issue is not getting the federal government out of somebody's business but the fact that housing is an inordinately expensive thing for the federal government to provide for poor people. I mean, the cost of providing a unit can be \$80,000 for one person over a period of 40 years and more, and given those enormous costs, there was a great deal of congressional resistance to, you know, increase that housing assistance, and I think generally justifiably so. That is not an area we expanded and one of the things the administration was trying to do was trying to push more investment into, you know, areas outside of housing and I think that is something that is probably likely to continue.

In the terms of banking, which is the area I have been most active in, yeh, there is a strong desire to get the government in...there are two kinds of regulations. One is regulations which restrict competition in one way or another, and in those areas you tend to have those that are disadvantaged who want to get into a market—you know, unhappy about that intervention and you have those who are protecting some interests trying to do so; and so, for example, in terms of deposit interest rate ceilings which basically benefitted our thrifts, you know, the thrifts were for them, the banks tried to have them removed and in terms of the issue which has been the most active over the last year in terms of work we have done internally, geographic restraints on banks which means that banks when they act go state wide.

Basically the banks with expansion oriented needs, you know, believe that is an improper interference in the marketplace. You see, these arguments get turned around. The banks which are aggressive and want to do more within marketplaces that they are not currently permitted in would perceive the geographic restraints, in my view, as an artificial government, undesirable intervention in what would otherwise be market place decisions. On the other hand, those laws limiting geographic expansion are now basically state laws and those that are on the other side

would say the federal government shouldn't get in the business of telling the states what to do and telling states what their structure ought to look like, so people can use the idea of the federal government staying out for either side.

The other kind of deregulation, which is getting government out of mandating things, is something that there is no question there is increasing pressure in that direction. Although one of the reasons there is increasing pressure is because the level of government intervention has been increasing in the last several years. I think there are a lot of reasons why that is not likely to be scaled back. The main thing that is getting the government in the finance business, the main thing that is removing what most people would consider would be the most important government restrictions, which would be the restrictions on competition, those have been liberalized in the last couple of years in the most dramatic way since the 1930's. The major reason that's happened, even though I think most people in the banking community in Washington, that's sort of the on-going people in this business, would probably say that our White House was more involved in deregulating those issues than any prior White House--- I think that would be if you wanted to get from others in the business.

But the reason all that deregulation passed was not really because of our great interest or skills or whatever, but the reason the government was getting out of that business was because the way the regulatory world works is that statutes ultimately move in response to market forces and in summary, in the banking area there have been market forces over the past several years that threatened to create very severe dislocations in the event that the statutes weren't changed. What tends to be the rule in banking is that when the market dislocations, or the threat of those dislocations rise to the level where the pain of what they would do, and they are caused by the existing statutory framework, is greater than the political pain of changing that statutory framework, then the statutory framework changes. That's what it takes. That's what's happening now. That is what will continue to be happening in the banking area, but it's not these philosophical notions of getting the government out of your business. It is that ultimately the government cannot stand up against an inordinate amount of market strain and will adopt its statutory structure to deal with whatever is going on in the market.

Soapes: Did the President put a higher priority on what is called banking deregulation than he did on trucking and airlines?

Kramer: Uh...

Soapes: That's certainly gotten much more press?

Kramer: It got more play but in terms of everything we asked him to do to prioritize it, we sent messages up to the congress, we highlighted it in the State of the Union message, etc.all those things that we asked him to do, he did. And, as a matter of fact, in the regulation "Q" area which is the biggest reform that has taken place thus far; regulation "Q" is the regulation which in the past limited what banks could pay depositors on savings. That's now in the process of

being phased out. The six month money market certificate—you know, that is something we created.

In those areas, actually the first time I went to the President on some minor banking thing in the beginning of the administration, I gave him a piece of paper and went through some things and mentioned that Reg “Q” as a piece of legislation was being extended at that point for two years, which we weren’t opposing and there was nothing in the memo indicating anything negative to him about it. He wrote in the margin he didn’t like Reg “Q”, so he did have an independent feeling on it which even preceded his becoming President and preceded people like me going in and giving him a memo saying here are the reasons we don’t think the current system works very well and why it ought to be revamped.

Soapes: You may have encountered this more in your housing work; I have read that actually that Jimmy Carter really was not of a mind to get federal money to cure social ills....so far as the ills basically of the cities. That is a broad statement. Can you comment on it from your.... as I said, probably more from your work in urban policy? Banking is a special field. (Laughs)

Kramer: Well, no, in a sense it is true. He is something of a fiscal conservative. On the other hand, he always was willing to spend money to help groups, individuals, with the greatest need; our various forms of counter-cyclical fiscal systems. That is really the most important program that you can have in term of distressed cities. What distressed cities need is money, that is because if they can use that money they can avoid laying off cops, firemen, sanitation and the things that are most important from a city’s perspective. They don’t have to funnel that money into some funny program that someone comes up with on the federal level because they think some policy check is important. In that area I think the President was always willing to support any level of assistance we could get past the congress, and the degree to which we didn’t come up with as much money as some of the older cities would have liked, was a function of our reading of what was possible in the congress and not a function of the President’s, you know, resistance.

Soapes: Good point.

Kramer: On the other hand, you know, I think that his reaction when we first came up with our so called urban policy was that the government is already spending, you know, 80 billion dollars a year, at least, in some manner, that affects cities. We want to figure on what we can do with that better before we add on a couple of billion more, which conceptually is correct. Openly I don’t think it was something that was terribly realistic in terms of what one of us could do to change that, but at least it enforced some evaluation of existing programs and it did get some degree, some degree of change, although I think a modest degree.

Yeh, in that area the attitude was there is already a lot of money going in and why don’t we use it better which, as I say, in principle is absolutely right, but the problem is it is sort of a difficult thing to make that money do something other than the purpose for which it is currently being

used. I mean, in a way, it is easier to come up with....if you want to address “X” need, whatever “X” is, in a way it is easier to come up with new money to address that need than to try to redirect some existing benefit away from some existing beneficiary. The problem always when you are redirecting a benefit away from an existing beneficiary, is that beneficiary is going to lose the benefit and is going to fight against that loss and you don’t get a comparable effort made on the part of the prospective new beneficiary because that beneficiary doesn’t tend to be an organized interest group because they are not currently getting the benefit. That is a fundamental problem you have all across the government.

Soapes: Uh huh.

Kramer: Which is why in an era where you had increasing amounts of resources to deal with problems, if you wanted to deal with problem “X” you didn’t have to take it out of “Y.” You came up with new money to do it. Now that you have got the kind of fiscal restraints which prohibit your doing that, particularly given the fact that special interest groups are so much more powerful now in terms of the decision making process in any particular area, it gets much, much harder to deal with those new needs. In other words, people are better at defending their turf than they were ten years ago. The system is now structured to permit organized minority interests to defend their interests better than was the case earlier and, number two, there aren’t the fiscal resources to just say, well, we’re not going to take it away from them; let’s just come up with new money to address the problem.

Soapes: A double pronged. I know we are running low on time so I am going to try to cut down. You mentioned things you knew would or would not get through congress. Now, did you work with congressional liaison on getting things through or did you yourself do a good bit of work up on the Hill? What was your method?

Kramer: Well, it varied. Again, there were so many different things it really varied from area to area. In the housing area we tended to do it with the agency, with HUD. You didn’t tend to have the kind of priorities that congressional liaison would focus on.

Soapes: Yeh.

Kramer: In terms of the phase out of Regulation Q, the financial reform legislation, we did it mostly with treasury, although in a couple of instances where we needed help, I’d either go to CL or the Vice President made a couple of calls. The New York City loan guarantee legislation, that is something, you know, I got the Vice President to make a couple of calls, the President to make a couple of calls, Eizenstat, and so forth, but basically we directed that effort, you know, with treasury...we meaning--you know, this office. The degree to which CL is involved is really a function of how high a presidential priority it is and also how much trouble you have and Reg “Q” wouldn’t have been a high enough presidential priority, except in a couple of instances, where the President did make, you know, calls.

Soapes: What about some of the other White House offices that at least sound like they may have been involved in such things ...like Aiello and Torres in Ethnic and Hispanic Affairs?

Kramer: I never dealt with them at all.

Soapes: Watson with his state and local governments.... in his first incarnation?

Kramer: No, not that much there because basically he would have been Anne's office.

Soapes: That would have been Anne Wexler's.

Kramer: Anne's was the coalition building operation.

Soapes: Yeh.

Kramer: Which on the urban policy, for example, Anne's office was very actively involved in the financial legislation. I mean, you know, I put together the work you would do with the various outside constituencies. Housing—they were basically left to their own to do it at HUD. But I would say that probably there's been more dealings with Anne's office, than, you know, any other office with a staff other than CL.

Soapes: Yeh. What do you see as the future for not only the housing projects like UDAG but, let's say, with also the financial deregulation that you're seeing... the immediate future?

Kramer: I would say that in terms of cities there will probably be, number 1, decline in the rate of federal assistance to all the cities, generally; number 2, reduction of restrictions which tend to favor low income and other kinds of minority constituencies, which tend to be Democratic constituencies. Number 3, generally I would be surprised if there wasn't some reduction in federal support for housing, at least for subsidized housing. I think there would be a continued decline in that area.

The non-subsidized housing, the federal subsidy is going to increase just because of the mortgage interest, you know, deduction. That will account for about an increase in about twenty billion dollars a year. Right now the fact that people can make those deductions cost the government about twenty billion a year and I think that will be up somewhere over forty billion a year within five years and that is a rather major government investment in housing and someday somebody is going to have to do something about it. But the point is that, particularly given that subsidy and given the fact that there is a need to stimulate investment in other areas, there has been, in a lot of respects, an over investment in housing as is, I don't think that there will be continued efforts made to try to prop up, you know, housing even more which causes serious political problems because you're going to have this demographic push of young people coming into the market in the 1980's and I think housing scarcity is probably going to become an increasingly serious, housing scarcity cost, is probably going to become an increasingly serious

problem, at least through the first half of the eighties. Uh, I don't know. It is hard to say after that.

In terms of financial reform, the most important issue now is the liberalization of geographic or banking reform...the liberalization of geographic restraints on bank expansion. And my own sense is that some degree of liberalization probably permitting interstate acquisition of banks is inevitable over the...within the next five years; and you're moving towards a much more homogeneous, competitive financial system, and in the process there will be a significant consolidation in that system in the sense that there will be substantially fewer institutions around, I think, in the late 1980s than there will be today. And depending on how congress goes about dealing with that and how quickly they deal with it, that consolidation process could be an extremely difficult thing, and even over the next year, I think, in terms of savings banks, could rise to the level of being a, you know, a semi-financial crisis.

Soapes: Uh huh.

Kramer: Because there is not currently in place the kind of structure necessary to take account of the fact that many institutions which exist today are not structured to exist in the financial environment that will exist in the early 1980s. There is not currently a structure which allows them to be merged into other institutions to create viable competitors and I think that there will be some real pain exhibited, you know, as we sort of get from where we are now to the point at which we have a tighter functioning structure where there are some less efficient competitors that are no longer acting independently.

Soapes: I know it is time for you to get back to work. We do not intend in these brief interviews to fully cover your four years in the White House. I would like to think of it as something of an outline perhaps to come back in five years and talk to you in some detail, particularly after the papers, whenever they are opened, say five years, that is a ball park figure, after we have had a chance to do a little more research ...for us to learn more about what you did to talk about it in more detail because it is interesting. It is very interesting.

We ask everybody, do you have an alumni association or someplace, someone who always knows where you are so that we can get in touch with you? Most people find that the alumni association finds them, no matter where they go.

Kramer: If that's true, then maybe the Emory or the Yale alumni association would know where I was.

Soapes: OK, OK. That is good enough because very few people have a permanent home address at this point, of course. I'm sorry to seem as though we are just hitting the tops of the waves.

Kramer: I understand. We'll talk again.

Soapes: Thanks very much.