RONALD REAGAN ORAL HISTORY PROJECT

FINAL EDITED TRANSCRIPT

INTERVIEW WITH JAMES A. BAKER, III

June 15–16, 2004
Houston, Texas

Interviewers

University of Virginia

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Attending

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Young: This is an interview with James A. Baker, III, on June 15, 2004, at the Baker Institute in Houston. Attending the interview are—besides Secretary Baker—Stephen Knott; Jeff Chidester (who's acting as note taker today); myself, James Young, director of the Presidential Oral History Program; and John Williams, who's with Secretary Baker. I want to thank you, Jim, for giving us this time. One of the reasons for this oral history is deficiencies in the official records. There are very few diaries, and those there are, are very selective. The memoirs don't give the whole picture. What we find in the Presidential libraries, and other libraries, is not always the whole story. These oral histories help to overcome some of the deficiencies in the official records that are going to be a serious problem for people as they look back.

The second thing we try to do—and I think it's equally important—is to allow people who knew the administration from the inside and were deeply involved—the people of action, the people of ideas—to give their perspective on the Ronald Reagan Presidency, and on their time in power. Most of the views of the President and of the Presidency are judgments from the outside looking in. This is a chance for the people on the inside to contribute to history.

Basically, we have three very broad areas we'd like to get on the record for the benefit of people not yet born. One is how this administration and this Presidency got formed, got from campaign to governing. And then, how the White House worked, how it got organized, what President Reagan needed or didn't need, in your view, in the way of staff and assistance and advice. We're interested in how he and you went about achieving the goals of this administration and how that changed over time, because it looks from the outside as if there were considerable changes and views in the White House. The second-term White House didn't look from the outside at all like the first.

And, finally, what do you think scholars, students, writers ought to take into account when they look back at this Presidency when we're all dead and gone? That's just the general picture. What you think is important for the historical record is not just what we think is important. But it's what we are trying to get.

Baker: Well, first let me talk to you about the ground rules. Under your Rules of Practice and Procedure, "Policies and Procedures," paragraphs 6 and 7 are important to me if we are going to have a candid interview. I'm happy to give you one. But I want the record to reflect that whatever I say is confidential until I say it's not—whether it's oral statements, documents, a transcript, a recording, the tape—whatever it is. I'm sure that we have agreement on that.

Young: That's true. It should be part of the oral record that that's a clear understanding of the way we proceed.

Baker: Without my express approval, in writing, you cannot release that to anybody else, show it to anybody else, share it with anybody else.

Young: Absolutely.

Baker: OK. That's the agreement between us, just as it was when I did the oral history with you for the George H. W. Bush Presidency.

Young: Right.

Baker: Let me also by way of introduction say that I have given all of my public service and political papers to Princeton University, my alma mater, with the understanding that they will archive them, organize them, do what they need to do to them. Then they'll give complete copies to Rice University at Princeton's expense so we'll have a full record here. I'm quite happy for you, should you choose to do so, to look through those papers at Princeton. I will give you the requisite permission—but again, only with the same understanding that we have about protection and confidentiality.

Young: I appreciate that very much.

Baker: You're going to give me a transcript of this interview, isn't that the way it works? I'll look at it. I don't have to come back here and say, "I want this confidential. That, I don't." Everything's confidential until I say that you can release it. And you're not going to share my comments with other interviewees, just as you're not going to share theirs with me.

Young: That's a firm ground rule that we follow all the time. You'll get the transcript, and you can edit it to your satisfaction.

Baker: I noticed on the Bush Oral History that sometimes the meaning doesn't come through in the transcription.

Young: Like what?

Baker: To make it accurate historically.

Young: You can augment; you can correct. You can redact. And you'll also at that time have the opportunity to stipulate any terms of release. Some people say they don't want a particular section in for fifty years, or they don't want it in at all. Others might wait thirty years. We'd like to have something we can get out before the end of time.

Baker: Well, John Williams is going to have a big role in that because he's going to look at it from my standpoint and he's going to say, "This could cause you problems. That might not." That kind of thing. But the understanding is that nothing goes out until I say OK in writing. Is that a deal?

Young: That's fine.

Baker: All right. Then we can be very candid.

Young: We thought we might start with when you were with George Bush. You had just campaigned, and then you end up—

Baker: Well, why don't we start at the beginning? The beginning was the [Gerald] Ford campaign. I was initially the delegate hunter for President Ford, brought over in May of '76 from the Commerce Department where I'd been Deputy Secretary of Commerce, working under Rog [Rogers] Morton, who was the campaign chairman. That was the last seriously contested

convention of either major political party. It was quite a convention in Kansas City in ’76. We narrowly won the nomination over Governor Reagan, who was challenging a sitting President—I think my recollection is—by some 30 delegate votes out of more than 3,000 delegate votes that were in the hall.

In the summer of 1976, at President Ford’s home in Vail, Colorado, he asked me to chair the national effort against Jimmy Carter. I did so. Governor Reagan did some campaigning for us but also campaigned for “the cause,” as he put it. At that time, there was a fair amount of bad blood between President Ford and Governor Reagan, because Ford resented the fact that he’d been challenged as a sitting President. It had been a very tough primary.

I had met Reagan one time before, in 1972, when I was running 14 counties for Richard Nixon here in Texas. Governor Reagan came in to campaign for us, and we had an event right here in Houston. That was the first time I’d ever met him. Following the ’76 election, I came home to Texas and decided to try my hand at electoral politics. I ran for Attorney General of Texas. Governor Reagan came—I think it was to Lubbock—and he campaigned for me—notwithstanding the fact that I’d been the delegate hunter for Ford and had run Ford’s national campaign. We had an auction-type event. We raised a fair amount of money. And he spoke.

Young: Why did he do this?

Baker: I think he did this because I was the only Republican who had run a Presidential campaign, other than perhaps John Mitchell, who was not in very good shape at that time, because he ended up having to go to jail. I was the only one, I suppose, who had run a general election Republican campaign. I’m sure Governor Reagan knew that he would be running again. He was going around doing events for folks who he thought might be winning and helpful to him.

I think that happened because of Mike Deaver, whom I did not really know well. But we knew each other because I was a Ford person and he was a Reagan person. Back in those days, you could disagree agreeably with people who were political adversaries. You didn’t have to become political enemies. So they came in.

And then, after I lost that race, George Bush 41 was all over me to get started on his Presidential campaign. I told him that if he ran for President, and if I didn’t win, I was going to help him. People in Texas didn’t understand that because John Connally was Central Casting’s idea of a President of the United States, and he was a huge presence—infectious former Governor, Secretary of the Navy, Secretary of Treasury, Richard Nixon’s “favorite Democrat” and all that. People said, “Why are you going to go with Bush?” I said, “Well, it’s a 30-year friendship.”

One of the first things we did was to go out to California and call on President Ford and Governor Reagan. Ambassador Bush said, “I’m thinking about running for President.” Governor Reagan was very gracious, as was President Ford, and the rest of the story you know. We started out as an asterisk in the polls, and everybody said, “It’s crazy.” But we ended up being the only opponent of Reagan who got any delegates, and we had a substantial number of delegates at the convention. The Reagan people didn’t want to pick Bush because of the bitterness of the campaign.

Young: It was a bitter campaign?

Baker: Oh, the primary?

Young: Yes.

Baker: They didn't want to pick Bush for that reason and maybe because they had a stereotype of him as being an Eastern elitist. You remember where they flirted with the Ford thing?

Young: The Ford co-Presidency thing?

Baker: Yes. I think it was Governor Reagan himself who finally said, "Wait a minute. This thing isn't going to work. Get Bush for me." The call came in. I answered the phone, and it was Drew [Andrew] Lewis. Governor Reagan asked Ambassador Bush if he would run with him. Only he said, "I want to make certain that you will support my position on right to life." And Ambassador Bush said, "Yes, I will."

Young: Could I interrupt a moment? How did Reagan come to select Bush? Did he have him in mind all along?

Baker: You need to ask the people who were around Reagan. I was around Bush, so I don't know.

Young: You got no indication before that?

Baker: No, but it stands to reason that if you want to unify the party, and you have one candidate at the convention who has a substantial bloc of delegate votes, the best way to do it is to put him on the ticket. So I think that's what happened. And the stories are quite prevalent out there about his competitive nature. George is a very competitive person, and he didn't want to get out of the race in May of 1980—even though, mathematically, we were kaput. But he had people who had gone out and walked the extra mile for him in New Jersey, particularly, and Ohio—states that had their primaries on the last day, just like California. And yet, mathematically, we were finished. We didn't have any money to continue.

You're familiar with the discussions about whether you should drop out of the race. I believe to this day that if he hadn't dropped out of the race, they might well not have come to Bush for the Vice Presidency. There were a lot of people who had been former Ford people—[Henry] Kissinger, Bill Clements of Texas, Bill Brock, Alan Greenspan—with whom I had worked closely in the Ford administration, who wanted him to pick Ford, thinking that they then would get positions in the new Reagan administration. We were sort of a lonely crew there in Detroit—the Bush people. We figured that it wasn't going to happen—until the call came in, when we saw all of the interviews with Ford and so forth. That's my recollection of all of that. Then you put the two together, and in terms of the campaign it worked very smoothly.

Young: Tell me a little bit about how that worked, the general election campaign. There were the people on the plane. There were people—were you back at—

Baker: Yes, I was back in McLean or Alexandria, wherever it was.

Young: Yes.

Baker: I'll give it to you from my perspective. After Bush dropped out, I was contacted by the Reagan people, I think by Lyn Nofziger—maybe Bill Casey. They asked me if I would be the political director of the Reagan campaign. I declined because I had run a national campaign as chairman. It's one thing to be a deputy chairman—but to be the political director just wasn't something I was interested in doing, and I declined. Later Casey, I think, wanted me to be deputy

chairman of the campaign, so he came back to me. I don't think Ed [Edwin, III] Meese was enamored of that idea. But they still wanted to talk to me because I had run the '76.

I believe it was suggested that I just be called a "senior advisor" and that I would do whatever they wanted me to do. They ended up suggesting that I do the debates, because none of them had had any experience in Presidential debates. So I was put in charge of the debates. You're familiar with the differences of opinion within the campaign about whether he should debate John Anderson. I was always one who felt that Reagan would be extraordinarily good at debating anybody. I pushed for that, and we blew Anderson away.

Then, as the numbers began to change in the middle of October—the first of October, maybe—the Carter people, who had consistently refused to agree to debates, finally came around and said, "Well, maybe we ought to have a debate." We had that one debate ten days before the election, and that's what really, in my opinion, threw the election. Governor Reagan did so well, and Carter did very poorly. His approval rating was under 50 percent anyway.

Reagan proved that he was acceptable as a President and had the stature to be President. That really was my responsibility. I told the anecdote last week at the funeral in Washington about being in the Green Room alone with Governor Reagan going over the last few points just before that debate was supposed to start. The Governor looked at me and said, "Jim, would you excuse me a minute? I want to have a word with the man upstairs." It was about 10 minutes to go before he went out on stage. I left the room and he, I'm sure, said a prayer, which turned out to be a very effective word with the man upstairs, because he just blew Carter away.

That's what I did during the general election. Back at the headquarters, it was Casey, Meese—maybe Alan, Marty Anderson, the domestic and national security advisors. Maybe occasionally they would go out. Out on the plane were [Stuart] Spencer, Nofziger, and Deaver. And I can tell you from having led five Presidential campaigns that you always have this issue of where the control is going to be. More often than not, unless you have a situation like we had in '84 where we had a real blowout—and where we actually ran the campaign right from my desk in the Chief of Staff's office—or, like in '92 where you had one person who was clearly in charge—you're always are going to have that dichotomy between the airplane and the campaign. Of course, when we were in the White House, we always made sure that phones and machines for campaign purposes were paid for by the campaign in order to avoid using government equipment.

When an incumbent is running, you have another problem, and that is the campaign organization versus the White House. Under the law, the campaign organization has to do certain things—all the organizational stuff. They have to have speechwriters on the payroll and all that. But the truth of the matter is that the President is resident in the White House. The candidate is there. The message is there. The schedule is there.

In the early days of the Ford effort, before I came in, one of the reasons they turned to me after the convention was that they had a lot of trouble between the President Ford committee on the one hand and the White House on the other. We never had that in the '84 blowout, the reelect, because we organized it so that everything was run out of the White House. We had a formal campaign organization, but we made the decisions.

And the same thing was pretty much true in the '88 campaign for Bush against [Michael] Dukakis when we ran into the campaign organization. Even though Bush was seen as an incumbent, Reagan was still in the White House.

Knott: I'm wondering if you might talk about the differences between George H. W. Bush as a candidate and Ronald Reagan as a candidate—their various strengths and weaknesses.

Baker: Well, I've declined to do that forever. I was too close to both of them. If you start doing that, you start drawing comparisons between people. I won't compare him with his son, either. You want a Reagan administration oral history. You don't want a comparison history.

Knott: What was Reagan's understanding of the policy issues? Did you feel that he had a good grasp of the issues?

Baker: Well, here's where Ronald Reagan came from. He was a man who held certain principles very deeply and viscerally. He never wavered from those. They were very few in nature. They were macro and not micro. He wasn't interested, for instance, in some of the chaff. But when it came to a strong defense, to cutting taxes and shrinking government, to regulatory reform, to more freedom for the individual, this was what he believed in.

And it was, in my opinion, one of the secrets of his Presidency—that, and his ability to communicate. He was the finest candidate/President on television that we've ever had. Now, [William J.] Clinton was very good at that. But Reagan was absolutely superb. Maybe you'd say, "Well, it's his training as an actor." Maybe so.

Young: I was going to ask you a specific question about prepping him.

Baker: The way to prep him was not to overload him. He didn't want or need the nuances of every policy position and all of the chaff that came with it. If you did that, he was so—"dedicated" is the wrong word—but he was so *good* about studying what he was given that you could overload him. Nancy [Reagan] was particularly attentive to that.

Young: Yes.

Baker: We set up a full debate briefing operation out in Wexford in preparation for those two debates. We had a studio just like the one that we were going to negotiate with the other side. We rehearsed, we rehearsed, we rehearsed. But we didn't give him too much. He took it better orally than in writing. But if you gave it to him in writing, and it was too much, he was going to read all of it and try to learn all of it.

Young: Did he enjoy the briefings?

Baker: He seemed to, although we had, if you remember, David Stockman playing Jimmy Carter. He played Walter Mondale on the second go-around. Stockman just sort of blew the Governor away in the first, and he was taken aback by it. But it was very good practice and very good to give him an idea of what he was going to go through.

I'm going to digress a little and fast-forward to '84. You may remember that he lost the first debate to Mondale in Louisville. It was the only debate, I think, that he lost in the two elections—the '80 or the '84. He said afterward, "The reason I lost this was that I didn't work. I didn't study my briefing materials. It was my fault. It wasn't anybody else's fault."

Well, the reason that he went out and said that was that there were a number of people close to the campaign who felt they needed a scapegoat for the fact that he lost that debate. They came to me—it was my good buddy, Mike Deaver, with whom I'm very close, and Stu Spencer and Paul Laxalt—and they said, "Hey, the President was overloaded. In fact, he was brutalized." I said, "What?" They said, "He was brutalized, and you need to fire [Richard] Darman, because

Darman did a poor job prepping the President." I said, "Let me tell you something, fellas. I know the President pretty damn well now, after four years. And when he tells me to fire Darman, that's when I'm going to fire Darman."

Well, that ended it, because he wasn't ever going to do that. That was the debate, if you remember, in his close where he was driving along the Pacific Coast Highway and he never got to "the shining city on the hill." They cut him off because he hadn't memorized his close.

Young: Yes.

Baker: That's just an indication of the type of person he was. What you saw is what you got with Ronald Reagan. He had no guile whatsoever. He had no other agenda. What he said is basically what he believed. I don't know whether it was Paul or Stu (or who it was) who figured they had to have some scapegoat out there for the fact that we took a hit on that first debate. But it didn't make any difference. We won 49 states, right?

Young: Right. It didn't make a difference. But the homework he didn't do was not mastering all the small details.

Baker: In this particular instance, it was not practicing his close enough to get it completed in the time frame that he had to get it.

Knott: Could you talk a little bit about Bill Casey and his role during the election?

Baker: During the '80 election? Well, when we beat Reagan in Iowa—"we," the Bush camp—that was extraordinarily unanticipated, and it was a huge defeat for the Reagan people. And the outcome of it was that they got rid of [John] Sears. They decided to fire Sears and hire Bill, and they did. And Bill ran a much tighter ship. Bill was a much better administrator, making sure the money was spent right and all that.

Of course, shortly after they let Sears go, they blew us away in New Hampshire, when Governor Reagan used a line that he'd learned in the movies. "Mr. Green—Mr. Green," he said, "I paid for this microphone." But we stayed in, and we kept pulling some delegates, but not enough. But we, the Bush camp, had a substantial number of delegates.

Bill Casey, I think, was one of the people who probably were in favor of Bush's selection as V.P. I really believe that. And Bill Casey was one who, as I mentioned earlier, wanted me to be deputy chairman of the campaign. It was, I think, Ed Meese who really was against that idea because he was the deputy, and he didn't want another deputy.

Knott: When the call came to George Bush from Ronald Reagan about being his Vice Presidential candidate—did that come as a complete surprise to you?

Baker: Well, not a complete surprise in the sense that we were the only people who had delegates. But, if you watched two days of the discussions all over television with Gerry Ford, and all of the people who had worked for Ford and who were natural allies in terms of their position within the Republican Party of Bush, you had to conclude that we weren't going to get it. We were sitting there in the hotel figuring, "Well, it's not going to be us."

But then the call came. I remember turning the phone over to George Bush, and I heard him talking, "Yes, sir. Yes, sir, I can. Yes, sir, I can," looking at me and sticking his tongue out at me. [laughter]

Knott: He accepted on the spot?

Baker: I don't guarantee you, but I still believe to this day that if we had gone out and competed in California on the last day there, I don't think they would have come to us. They really didn't want to come to us.

Young: Very soon after the election, your choice as Chief of Staff is announced.

Baker: That was a shocking decision—given the fact that I had run two campaigns against Ronald Reagan. But it is again a measure of the broad-gauge nature of the man and a measure of how comfortable he was in his own skin. Who else would go to the campaign manager of your opponent in two elections and pick him for your White House Chief of Staff? It was incredible.

You talk about being shocked—I was really shocked. My wife started crying when I told her. I went home that night and told her. It was the day after the election. I went home and told her, and she said, "Oh, my goodness, we have these eight kids. I'll never see you again." I said, "Yes, you will." I went back and I told the President-elect that. And before he gave his first press conference as President-elect, a day or so later, he called Susan [Baker] over to him, and he said, "Now look, Susan, I want you to know that your man's going to be home every night by 5 o'clock." I wasn't home one night by 5 o'clock.

But I also told the President—and this should be part of your history. I told the President, "I'm honored, Mr. President, and I would be delighted to take it on." Susan had said "OK." But I said, "I've worked with White House Chiefs of Staff. I've worked with administrations. And this job, in particular, is best done in two-year increments, because you run out of political chits." That job may be the second most powerful job in Washington, in government—but you're a dartboard. You have a bull's eye on your back and on your front. Your job is to take the javelins that were intended for the old man.

And he said, "Well, fine. Let's do it for two years." And I said, "Fine." And that's part of the underlying history, or reasons for the National Security Council deal that didn't make it. It's obviously part of the exchange with Don Regan, which everybody at the time thought would be a good thing, but which Ronald Reagan in his book wrote was, in retrospect, a mistake. So he said, "Well, fine. Let's go."

Backing up a little further, I didn't have much of an inkling that this was going to happen, except when Stu Spencer, I think, the day of the election, or the day before, said, "He may come to you on this." And, after he did, Stu said, "Now, let me tell you something about Ronald Reagan. You call him every day. He's not going to be calling you as often as you probably would need him to as Chief of Staff. You stay close to him, and you call him." I did that. That was good advice. He knew Ronald Reagan because he'd worked for him politically.

Now, why did it happen? Well, it happened because Nancy and Spencer and Deaver all wanted someone who knew Washington and knew how the game was played up there. And I don't say this as a criticism of Ed Meese—they wanted somebody who would cross the T's and dot the I's and not let stuff languish in the briefcase, so to speak. And that was what the "not" was, and to some extent it was a valid criticism of Ed.

On the other hand, I have to say there is no finer gentleman than Ed Meese—given all of the tensions between the Meese and Baker wings of the Reagan White House. There's no finer gentleman, and there is no better policy synthesizer for Ronald Reagan than Ed Meese. He was really good at it, and he was a terrific gentleman. There were natural tensions, though, built into

that, that erupted from time to time, some of them ideological, some of them just because the press loves division. They like that better than they do accord.

So the President said, "I'd like you to do this, but I'd like you to work it out with Ed Meese." Because he really wanted to be Chief of Staff, and he had the T.O.'s—the Table of Organizations—all drawn. You've talked to Deaver, I'm sure, and you've talked to Ed, and I hope you've talked to Spencer.

Young: Oh, yes.

Baker: All right. So I took that to heart. I sat down and I started, in my own mind, exploring a division of responsibilities. And what I concluded—what I went to Ed with—was, "Look, Ed, you're the policy synthesizer, and I think the President wants me to make the trains run on time and to run the political side of the White House. And that would be congressional liaison and press. But you would be in charge of all the domestic policy councils." He wanted to be in charge of the NSC [National Security Council].

I think that ended up being a mistake. Nevertheless, we did it. I also suggested that he have Cabinet rank, and I wouldn't, because I thought it would make it a little bit less of a problem. That's the way we did it. He was given the title "Counsellor to the President," which again, I believe, came from me, because I thought back to the Nixon years when there were some counselors to the President at Cabinet rank.

So he was Counsellor to the President. I was Chief of Staff. He had Cabinet rank, I didn't. I knew that Cabinet meetings, for the most part, are not where the action is. The action is in the Oval Office, and the President listens to people in whom he has confidence and who've been there with him in the thick and thin of the campaign. It doesn't matter what your title is. It doesn't matter what your rank is. The President's going to rely on and take advice from people he has confidence in.

So we sat down and worked, and we came up with this memorandum—this little memo here. I was hoping that I still had it and hadn't sent it to Princeton. This is the original of that memo. If you notice, there's a column that says "Meese" and a column that says "Baker." And you see a little change in there? What does that say? Eleven—

Young: Seventeen.

Baker: 11/17/1980—we both agreed. That's ultimately going to be at Princeton. I don't know if it's important to you, but it was a very important document **i**n the creation of the Reagan White House and the Reagan government.

Young: There's nothing like it in the history before this.

Baker: I don't think so. I don't believe so. But look what we had here. In each column, "Attend any meeting which President attends, with his consent." We added it for both of us. It wasn't a part of the original. See? And under Meese: "Coordination/supervision of the work of the domestic policy staff and the National Security Council." And look what I stuck in here under Meese's column because he had—"Member of the Super Cabinet Executive Committee, in the absence of the President, presides over meetings." And I put, "In the absence of the President and Vice President."

Knott: [laughter] That's an important point. You drafted this?

Baker: Yes, but we sat down and did it together. I said, "OK, here are the functions that I ought to have." Here are the functions that he thought—but, you see, only one of them is "with Baker, coordination /supervision of the work of OMB [Office of Management and Budget], CEA [Council of Economic Advisors], CEQ [Council on Environmental Quality], Trade Rep, and Science and Technology." I had the same thing: "with Meese, coordination of the various—"

At that time, of course, we were thinking about having a "Super Cabinet," but we finally bagged that, and it was a good thing we did. But where the rubber meets the road in governance is getting your policy agenda through the Congress. And to do that, you have to have the communications function, the press function, the political function, and the congressional function. And those were all on the political side of the White House, not on the policy side. Ed had the policy side; I had the political side.

If you notice here, he had "Coordination and supervision of the work of the domestic policy staff and the National Security Council." I had "Coordination and control of all in-and-out paper flow to the President, and of Presidential schedule and appointments." Somebody had to be in charge of the staff secretary.

Now, we both had walk-in rights, as did Mike Deaver and ultimately, the National Security Advisor, when Bill Ramsey] Clark came on board. Dick Allen—

Young: Not before that?

Baker: No. Dick Allen had to report to the President through Meese.

Young: But the paper had to go through you?

Baker: Everything went through the staff secretary, and it turned out that Dick Darman was the staff secretary. And then you're familiar with the big contretemps in the early days when Al Haig wanted to be in charge of crisis management. He walked in on Inauguration Day, and we're all there in our morning tails and coats, and he plops a memo down on the President's desk and asks the President to sign it. Well, you know, we were sort of horrified. It hadn't been staffed out, nothing had been done. It was a question of who was going to control the crisis management.

It wasn't until March 24 that we finally came out with a decision on it. The President said, "OK, here's the way we'll do it." Here's the original crisis management memo. It puts the Vice President in charge so that you don't have a fight between State and Defense over who has the lead—or the NSC. That's where we came down on it, much to Haig's disappointment.

Young: And you're the real initiator of that?

Baker: Well, no. Ed was very much in favor of this. He didn't want to put it in one Cabinet department and then have to deal with all the other Cabinet departments that didn't get it. And it was quite logical that the Vice President should be the lead person on crisis management. By the way, before we even send these originals to Princeton, if you want to have copies of these two documents, I'm glad for you to have one. They'll be subject to the same confidentiality, of course. We'll Xerox them here before you leave.

Young: That's fine. I wanted to ask a question about the arrangement that was put on paper in that memo. I'm wondering how much Reagan really needed to be persuaded to have you, by Nancy or by Stu or by Mike Deaver.

Baker: I can't answer that for you, because I wasn't privy to those persuading talks, if they were—

Young: I know you can't answer the question. I'm just entering a speculation on the record. It seems to me that for the same reason he would have chosen Bush, he would have seen that he didn't have anybody around him who really knew the politics in Washington—knew Washington well. I'm speculating. But it goes to the question of what Reagan's—and maybe you can talk about this later—how he came to government in Washington and how he came to perceive what he needed to do.

Baker: Ronald Reagan was not a pragmatist in that sense, but he had some very pragmatic tendencies and inclinations. And what a lot of people have missed in writing about the Reagan Presidency are the number of times that we would accommodate or compromise our position in order to get something done. Politics is oftentimes the art of the possible. I can't tell you how many times Ronald Reagan would tell me, sitting here in the Oval Office, "Jim, I'd rather get 80 percent or 60 percent of what I want, than go over the cliff with my flag flying." But the true believers didn't want to hear that. And so he didn't say that out loud much. But you look at the record, and you particularly look at our accomplishments. If he hadn't been that way, we never would have been able to do what we did in the first term economically. Although we did have a very good 100-day plan that we'd worked out before we took office, and we stuck to it with laser-like precision.

That's one of the places where Haig got crossways with the White House staff. We had a plan that we wanted to implement. We thought that it was very important to get off to a good start. You have a honeymoon, and it doesn't last long. Our plan was to cut taxes and reduce spending and do some regulatory reform. And man, we stuck to it. And we didn't want anybody coming in and saying, "Hey, it's time to go to war in Cuba" or something. That's what we did.

But I can't answer that question for you. Somebody felt the President-elect needed someone who knew Washington, knew how it worked. And I think the suggestion, as I've said, was put in his ear by Nancy with a lot of help from Deaver and Stu Spencer.

Young: But certainly the conclusions reached are announced very quickly. Any they all may have been, in their most—

Baker: I went by to see Nancy the day of the funeral. We went over to see her in the morning. Every time I go to California I just pay a courtesy call on her. And as I was leaving she said, "Thank you so much for coming by." I said, "Nancy, thank you for the opportunity to serve." Because, without her, I'm not at all sure that he would have—But she was really his close advisor on a lot of things, particularly on personnel. She was his protector on personnel.

Knott: Yes. Do you think President Reagan had a blind spot when it came to personnel? We've heard it said that he was such a nice man that he had a terrible time firing people.

Baker: He didn't. I just told you the story about Darman. I knew he wouldn't fire him. The only person he really wanted to fire—and I made a mistake, because I lobbied against it—was Ed Rollins, who made a disparaging comment about Maureen Reagan as a campaigner. I shouldn't have lobbied against that, we should have gone ahead and fired him. On the other hand, at one point, he was very upset with David Stockman, but we needed Stockman. He was the only guy who had the budget numbers in his head. We would have been hard-put to do without him in the

fall of 1981. On the other hand, I think Meese and Deaver at the time wanted to fire Stockman, and I didn't.

But that's the way we worked. We didn't do hand-to-hand combat on issues like that. The President, I think, was reasonably well served by the fact that he had this troika there. There was some tension in that, yes, there was. He got a lot of different views, and he made the decisions.

Young: I think I'm right, and you say it was unique, this troika arrangement—

Baker: Well, yes, except if you go back to Nixon and you had [H.R.] Haldeman and [John] Ehrlichman. I don't know whether there was a third one—whether [Charles] Colson would be a third one or not. But Haldeman and Ehrlichman, they'd both walk in, and they both had great influence on Nixon.

Young: But they weren't Jim Baker.

Baker: Well, how do you mean?

Young: I mean, from accounts, they weren't doing what you did for Reagan. They were protecting him to some extent. They were referred to as the "Berlin Wall."

Baker: Well, that's true. We didn't do that. No, no. I hope you all have been told: anybody could see the President on 24-hours' notice. All a Cabinet officer had to do was let us know. We had a deal with the President. They could see him alone, but he would debrief us after somebody came in there. He was very good about that. And then, of course, he had a post office box where people could write him, without going through the staff. No, we didn't do that. That's true.

Young: I was not only referring to the troika and what it was doing.

Baker: Yes, yes, I understand. No, that's right.

Young: The way it worked.

Baker: Well, he didn't have to resign, did he? If that's what you mean. [laughter]

Young: And he won a second term.

Baker: So did Nixon, but he had to resign.

Young: Well, there was a problem in the basement.

Baker: That's right. You're exactly right. Well, you know, we had our Iran-Contra thing. But that doesn't rise to the stature of the malfeasance of Richard Nixon.

Young: I took you back. You had brought us up to the crisis management arrangement, and it's in the memo there. And there's reference in the timelines to—I think it was December, was it? Of '81? There had been some noise about foreign policy and national security policy apparatus not working right. You, and others, were then in the meeting that restructured, set up a plan, for how national security policy would work—a structure for this.

Baker: In December of '80?

Knott: December of '81. It also was in the *Washington Post:* "Responding to concerns that foreign policy making in the administration is not operating smoothly."

Baker: Six national security advisors and humungous turf battles between [George] Shultz and [Caspar] Weinberger—not just turf battles, but policy battles. But what I may be referring to here

is the fact that Alan has gone, [William] Clark is in, and Clark will have the right to access the President. I don't know that that's what I was referring to there. I don't remember a meeting about it.

But again, I'm going to jump forward. The effort in 1983 for me to become the National Security Advisor and Mike Deaver to become Chief of Staff was driven primarily by the fact that it was the one area of the White House that we didn't have total control over. We were moving into an election year. The White House has to speak with one voice. You have to have exquisite coordination between the campaign on the one hand and the White House on the other. You can't have a President going out and doing a scheduled event that's way off from what the campaign that week is emphasizing in its television advertisements, or what have you. And we weren't able to do that.

Clark was a strong player who had been at one point, I think, Governor Reagan's Chief of Staff in California. And he was not as collegial as Ed Meese. Therefore, there were times when if he thought that something should be done from a foreign policy standpoint that ran counter to the reelection interests, we didn't have any control over that. We couldn't coordinate those activities and those policies with the overall goal of running a very coordinated administration, and an administration that was operating in sync with the campaign.

Young: But there were deeper problems than just looking at it, weren't there? I mean, you have the Haig problem. You might want to say a few words about his Inauguration Day plan.

Baker: I'll give you a copy of what resulted from that. We're down there on Inauguration Day in the Oval Office. We all just walked in there in our morning coats, and the Secretary of State had a document for the President to sign. (Well, he wasn't even the Secretary of State. He was the Secretary of State-designate.) It was for the President to sign, but nobody else had seen it. And everybody reacted sort of negatively to that. It was almost as if he was trying to run something through. Anyway, Al had a stormy tenure, there's no doubt about it.

Young: What was the problem?

Baker: It was probably more a personality problem than anything. The White House staff is always protective of the President. Here you had somebody who had Presidential ambitions. In fact, when we were sent to talk to him before the President signed off on him as Secretary of State, one of the objectives was to make sure that he had put his Presidential ambitions aside. Laxalt and Meese and I went to talk to him to interview him.

He didn't take too kindly, I don't think, to the idea that we were not particularly interested in those first months in highlighting foreign policy. We were more interested in focusing on our 100-day plan, and doing what we needed to do with the economy to get the administration off on the right foot. We felt that the Carter administration had had too many balls in the air. When they came in, they had an Energy Plan. They had a this, and they had a that. And they never got anywhere. It was too diffused.

Well, that didn't sit too well with the Secretary of State—particularly with respect to Central America. I remember one of the first Cabinet meetings—and Deaver or Meese might have mentioned this to you—where we were talking about the war in El Salvador or Nicaragua or somewhere. We were back and forth on it, and the Secretary of State said, "Mr. President, if you really want to get a handle on this problem, you're going to have to go to the source."

And President Reagan said, "Oh? What do you mean, Al, 'go to the source'?" And Haig said, "I mean you got to make that island look like a parking lot." Well, we just went, "Oh!" The last thing we needed was to bomb Cuba, right? That's a true story. You don't have to take my word for that. Go talk to somebody else who was in those meetings.

[BREAK]

Young: You mentioned a moment ago your visit with Al Haig, you and Laxalt. What did you come away with? Did he still have Presidential ambitions? Was that something that you had to watch?

Baker: He disclaimed any continuing Presidential ambitions. He said no, he said all the right things. And I think that the President was enthusiastic about selecting him. He had been a distinguished Supreme Allied Commander of NATO [North Atlantic Treaty Organization] and Chief of Staff of the White House. There was some confusion about Shultz in the early days. Someone said Shultz didn't want it. Well, Shultz, I think, thought he was being approached to be Treasury Secretary**,** and there was a snafu there. I'm not familiar with what happened. You all probably are.

Knott: We've heard some of this. Bill Clark was put in as Haig's deputy. Did that help?

Baker: I think Bill Clark tried very hard for a while to make it work. But finally, Bill got very frustrated. Al made a fundamental mistake with Ronald Reagan. He used to threaten resignation. President Reagan told me on any number of occasions that he never liked anybody who did that. And I'm not at all sure that Al didn't get that from a person he worked for for a while, Henry Kissinger. He used to pursue that approach with Nixon sometimes. But he came in one time too many, I think, with the idea of resigning. Finally, the President picked up his resignation letter. I don't know whether Al was surprised by it or not.

Young: In selecting personnel at the beginning of the administration, what was your role?

Baker: My role was that I attended some of the meetings of the kitchen cabinet where some of these decisions were made, but I didn't have a major role in the Cabinet selections. I had a free hand in staffing the White House, my side of the White House. I hired the people I wanted, people who I knew were proven. That was my role.

Young: And any role for you in the selection of people in the departments, below Cabinet level?

Baker: Yes, Pen [Pendleton] James, I think, reported to me. Maybe he reported to me and Meese, I can't remember. But, yes, we had the meetings in my office. But I was the outsider. From that standpoint, I didn't know who had been a longtime Reagan person and who hadn't. I did know the Bush people. A number of Bush people were put into the administration. They probably relied more on me with respect to what I thought about the Bush people than the Reagan people. But yes, the answer is I did have a role, and those meetings took place in my office.

Young: What about your relations with Vice President Bush during this period?

Baker: Well, I wrote in my book, *The Politics of Diplomacy,* that he used to refer to our relationship as a big brother/little brother, which was fine with me, because I was proud to be his

little brother. But during these four years, I was in a position to help him at the same time that I made it very clear that my first loyalty was to President Reagan. President Reagan never had any question about that.

The idea of a weekly lunch was approved in part because of my support for it. The idea that the Vice President should be up to speed on what was going on—fully knowledgeable, not kept in the dark. Vice President Bush was a perfect Vice President for Ronald Reagan, because he knew what the role should be. He never sounded off in Cabinet meetings. He knew that there were no secrets in Washington. And he knew that he should not take strong policy positions, or he'd find himself juxtaposed in the press against the President. President Reagan came to really appreciate him, and they became friends after being political adversaries.

My office was right next to Vice President Bush's. I had more power, of course, at that time, but it worked well for both. It worked well for President Reagan. This is a self-serving statement, but it worked well for President Reagan to have me there, and it worked well for Vice President Bush. Otherwise, he might well have been cut out.

It's easy for the Vice President and his staff to be resented by the President. Any time the Vice President is seen as getting too much ink, too much exposure—maybe he's out there thinking about running himself, at some point. It's tough. There's a natural tension there. I don't think that existed in this administration.

Knott: There was generally an affection between the two men?

Baker: Yes.

Knott: There have been some reports, Edmund Morris and others—

Baker: Edmund Morris, I have to tell you. I will never cease to be amazed at how anybody could pass up such a wonderful opportunity to write a biography based on fact, and write something based on fiction. Fiction! Have you ever heard of a biography based on fiction?

Young: Yes, I've heard of it.

Baker: Have you? I mean, come on. Edmund Morris spent a lot of time talking about the tensions between the Vice President and the President. He doesn't know what he's talking about. I was there every day. I can't imagine a guy writing a biography of President Reagan and never even interviewing the guy who was his Chief of Staff for four years. Never asked to interview me. Never asked to interview me as Treasury Secretary.

Knott: My God.

Baker: What kind of biography is that?

Knott: Not a very good one, apparently.

Baker: Well, do you want to know how I really feel about Edmund Morris? That was a Deaver decision that backfired.

Young: I was going to ask how in the world—?

Baker: Well, now look, he'd done a good job for Teddy Roosevelt, I guess.

Young: Yes, but Teddy was dead.

Baker: Yes, I know he was dead. I'm just telling you—you asked my view on him.

Young: But I think this tends to be a problem with some biographers. I talked with Edmund when he was thinking about this book. And I just couldn't get over his fundamental disinterest in politics, and his inability or disinterest in—Ronald Reagan is an amazing political story.

Baker: He had a wonderful opportunity and he blew it. Absolutely.

Young: You can go through that book and see almost nothing about the whole political career. Nothing.

Knott: You've mentioned Mike Deaver a couple of times, deputy Chief of Staff. Could you talk a little bit about his role? Did he report to you? Is that accurate?

Baker: Yes, that's not inaccurate. I used to say to people that I got to be pretty darn close to the Reagans. I could go into the bedroom and ask him questions. But Mike could go into the bathroom. And that's the difference. He's been with them forever. I hadn't been. But did he report to me? Yes. He didn't do anything that he didn't talk to me about, that he didn't come to me on. He was my steadfast supporter in that White House. Again, I was the outsider.

We were a good team. We're still very close today. He's still, of course, very close to Nancy, having been really estranged from them when he was prosecuted. We had the meetings in my office. My decisions were respected. We would disagree on things occasionally, but he would never go in, trying to go in behind my back or something like that. It didn't work that way.

He had significant differences with Clark and with Meese. And my relationship with Meese, probably, was maybe a little bit better than his. I think that Meese might have felt that by suggesting me for Chief of Staff, or supporting me, that Mike had somehow undermined him. But I think that Mike was acting out of what he thought was the best interest of the Reagans—to get somebody who knew Washington.

Young: It was a troika. It was not only you and Meese, but integrating Deaver into your sphere was very important.

Baker: It was easy. It was easy and important and extraordinarily valuable to me. He had the East Wing. He had the protocol stuff. I was wrestling with the political side of the White House on policy, and the Legislative Strategy Group, where so much was done. I needed somebody to do the military office in the East Wing.

Back to the Haig thing for a minute. It wasn't my decision to give Al Haig a windowless airplane. That was Mike's decision, but I got blamed for it because I was the Chief of Staff. And I never even knew the plane didn't have windows. I found about it afterward. Having been Secretary of State, I've got to tell you, I don't blame Al Haig one bit for getting mad.

When we made the first trip to the U.K. to see the Queen, we went to Windsor Castle. And the President and Nancy flew on one of the Presidential helicopters with Baker, Meese, and Deaver lined up there in the same plane. And the Secretary of State and his wife were given an open-ended, open-air, open-bay Army helicopter. If I'd been Secretary of State, I would have said, "See you around." That was not something that I even knew about beforehand.

Young: Well, Nancy Reagan—you know, obviously, she was, as the President's protector, a sort of single-minded and an otherwise disinterested person.

Baker: She wasn't interested in the nuances of policy. She was interested in policy insofar as it might boomerang on the President or it might protect the President, and she was very interested

in the personnel stuff. If she got the impression that somebody was a drag on the administration, she would be very concerned about that. And she probably would be more willing to have them leave than he would. He was very good about loyalty up/loyalty down. He did not believe in throwing somebody off the sled to appease the wolves. He had been in politics long enough to know that that isn't going to appease them, that's just going to feed them. And George H. W. Bush was the same way.

Young: Can you talk a bit about Richard Darman and his operations under you?

Baker: Dick Darman is an extraordinarily bright fellow. It's the reason I brought him in there. I had worked with him at the Commerce Department, way back in the Ford days. He knew how to look at a problem and synthesize it, and he understood not just the policy aspects of a particular issue, but the political aspects very well. He was extraordinarily bright. But he was controversial.

He wasn't so controversial in that first Reagan term. He was down there as a staff secretary. He reported to me. And he did what we told him to do, you know? It was only after he really got out on his own that he got into a little bit of trouble when he was OMB director for George H. W. Bush. He was an extraordinarily good hand. He was an Elliot Richardson protégé. Richardson was a very bright guy but seemed to be a moderate. Darman was a Harvard professor. And not many of those do you think about when you think of Ronald Reagan. But he served him well, and he served George H. W. Bush well, too. And they'll both tell you that. (Ronald Reagan, of course, can't.) But George H. W. Bush would tell you that.

Young: Was there any clash with Meese and his people?

Baker: No, not over Darman. The tensions there were driven to some extent by ideological considerations—but more often than not, driven by the press wanting to create a division here. Yes, there were plenty of issues where I would be on one side, thinking that the President's political interests would not be served by taking the harder view—and Ed might be somewhere else.

As I told you at the beginning of this interview, I have a great respect for Ed. He's an extraordinarily fine gentleman. But there were plenty of tensions. There was always a Baker side of the White House against the Meese side, the pragmatists against the true believers. And the only thing that ever really frosted me was when these people would come out there and say, "Let Reagan be Reagan. Baker's not letting Reagan be Reagan." How insulting to the President, for gosh sakes. The very people who profess to believe in him the most were saying, "Let Reagan be Reagan," as if somehow we had him on a string, and he was a puppet. That was so demeaning to him.

Young: Yes.

Baker: Do you remember Jim Watt standing up there and saying, "Let Reagan be Reagan," as if he was a puppet? That's outrageous. The President made the decisions in his administration. He was a compromiser. Fine for us to get the blame for the compromises—there's nothing wrong with that, particularly given the fact that the results were good, because we had a successful Presidency.

They may have felt like [David] Gergen and Darman and some of these people were leaking too much. It turned out that there was a lot of leaking, but it wasn't just on one side of the White House. It was on both sides. It was a tough White House to operate in because of those tensions. But they served the President well, you know? The truth of the matter is that first term was

extraordinarily successful, and it was when Ed left, and I left, and Mike left that they got into trouble.

Young: Yes.

Baker: The President wrote that in his book. In retrospect, one of the major errors of his administration was in agreeing to my going to Treasury. But I was either going to Treasury or I was going out, because I'd had it—four years and two weeks—longer than anybody had ever been Chief of Staff, except two people—Bob Haldeman who went to jail, and Sherman Adams who got into a hell of a lot of trouble.

Young: Yes.

Baker: You know? I'd done it. You get worn out. Absolutely, it's a very tough job, very tough job. But at the time that we did the Regan thing—you were going to talk about this some time, so let me talk about it now. Everybody thought it was a good idea. Deaver thought it was a good idea. Nancy thought it was a good idea. The President thought it was a good idea.

The suggestion came from Regan to me over breakfast at the Treasury Department. We'd had a big fight, a big argument, and he said, "Come on over and let's eat breakfast and talk about our problem." So we did. And he said, "I'm going to make you a proposal you can't turn down." And I said, "Well, that's very interesting, Don, but I would never do that unless I knew that it was acceptable to—obviously, to the President—but also to others. And I tell you what I'll do. I'll go over and talk to Deaver about it."

So I talked to Deaver about it, and he talked to Nancy about it. Stu Spencer was in on the discussion, probably, from his home in California. And then we talked to the President about it. Mike and I did. Regan and I did. The Cabinet officer to whom President Reagan was closest in the first term was Don Regan. He had done a good job as Treasury Secretary. He was an Irishman who loved to tell stories with the President. And he had been a very loyal Treasury Secretary. Everybody at the time thought that it was a good idea.

In retrospect, it turned out not to be. But when Regan came over, I don't think that he ever understood that while he was in the second most powerful job in Washington, you're just staff. You can't succeed as White House Chief of Staff without understanding you're staff. You are not elected to do anything. All of your power is vicarious from the President. You don't surround yourself with Secret Service. He brought his Secret Service detail over from Treasury. There he was in the Presidential cocoon in the West Wing of the White House with a Secret Service detail.

You can look at other people who've been White House Chiefs of Staff, and generally speaking, if they were principals before, and don't understand that you're just staff, they don't succeed. John Sununu comes to mind. That was, I think, part of Regan's problem. And then, he also surrounded himself with weaker people. I had really strong people. They may have been controversial, but they were strong.

Knott: You've mentioned Reagan's attitude toward compromise, his ability to compromise. But you know, some people said that he was willing to take 80 percent of what he wanted, but he was sure to come back and get that other 20 percent in the future. Was that your impressions of his attitude?

Baker: No, because that's not realistic. You can't always get the other 20 percent. That doesn't mean that he wouldn't come back and fight for more, because he would. But he understood, too,

that we judge our Presidents on the basis of whether they can accomplish things, get their policies through the Congress, turn them into law. And that's what he was willing to compromise to do. Take tax reform in the second term. We hadn't reformed our tax code in 100 years. That was a tremendous accomplishment.

When he was President, we got the top marginal tax rate down on his Presidency from 70 percent to 28 percent. You see what he did in terms of laying the basis and the foundation for the end of the Cold War. You don't get there, you don't do those things, if you say rigidly you have to get 100 percent of what you want. As I told you earlier, so many times he would tell me, "Jim, I'd rather get 80 percent or 60 percent or whatever it is, than go off the cliff with my flag flying." That's the way he was.

Young: You formed the Legislative Strategy Group.

Baker: Now, that was a Darman idea. I want to give him credit for that. He came to me and said, "You know, you really need a Legislative Strategy Group here so that we can have a coordinated position in our approach to the Hill. We can use such a group to help us to try to implement the policy initiatives that come out of Cabinet Councils." We think we have the job. The political side of the White House has a job of making them work. Of course, the political side of the White House controlled a lot of the levers of power.

You can meet all day long and talk about this policy or that policy, but you have to make it happen if it's going to be effective. And the Legislative Strategy Group was really important because it was there that we would try to thrash out the degree and extent to which we would proffer a compromise in order to make something happen. Everybody was at the table.

Young: Political folks there?

Baker: Oh, yes. Meese and his people were there. And we were there, the political people were there. If it was in the foreign or security policy side of the house, they were there. It was a very effective organization. It's still going on, I think. All the other administrations since then have adopted it.

Young: They've adopted it. And I'm not so sure it works in quite the same way.

Baker: It may not.

Young: No. One of the first interviews I ever did was with Bryce Harlow.

Baker: Wonderful guy.

Young: Wonderful man. I was studying the President's congressional affairs staff under [Dwight] Eisenhower, [John F.] Kennedy, and [Lyndon] Johnson. Bryce taught a whole generation of people who served in that office. He was telling me about the position of the person who's the congressional person at the White House. He was telling Larry O'Brien, giving him a briefing when he was coming in, "Let me tell you one thing, Larry," he said. "You've got to be in on the policy decisions because if you don't, they'll give you red boats to sail onto the pond from the Capitol." I've been interested in seeing how that has evolved over the years in the White House. And it seems to me that it's a landmark. It's the beginning of a legislative strategy.

Baker: I think so.

Young: And it seemed to work extremely well for the Reagan administration, because it overcame the divide between the policy people and the political people.

Baker: We had more seats at that table, but the fact of the matter is that unless I agreed we were going to push it on the Hill, we weren't going to push it on the Hill—unless Ed had decided that he wanted to take it to the President and get me overruled, which very rarely happened. Conversely, I couldn't throw a policy out there that Ed proposed unless I was willing to take that to the President and get him overruled.

Young: Yes.

Baker: The one instance where I remember it happening was in Social Security when [Richard] Schweiker and Stockman came in with a proposal that they wanted to do, which was probably substantive and very good, but politically would have killed us. And yet, some of the true believers wanted a go of it. I just went in and talked to the President. We went in together and made the case that this would be a disaster. I had backup opinions from Republican Senators and Congressmen to that effect, so we never went with it. That's the way we worked.

I want to show you one other thing here you might enjoy seeing. This is a Christmas card I got from Bryce. That's Bryce and his wife. The writing has sort of faded. But in December of '84, he wrote me this note and I treasure it, because Bryce Harlow was a real good operator.

Young: Yes.

Knott: Can we read it into the record? Or would you rather not?

Baker: Well, it doesn't have anything to do with Ronald Reagan. You can read it into the record.

Knott: "December 1984. It's marvelous what you've done. Jim, you're the only White House staff leader I've known in my 46 Washington years who ranks in competence with or beats Sherman Adams. And I know of none better in prior years. Find happiness in the fulfillment you have had. Ronald Reagan and the United States are lucky you are there. Bryce Harlow."

Baker: Bryce Harlow was, of course—I think he was a great guy, and a great inside politician in terms of the operations of the executive branch.

Knott: Harlow's name has come up in more interviews that we've done than anybody else's.

Baker: That's why I keep it. He gave me an education in real politics.

Knott: Could I ask just one more question about this whole supposed division between the Meese faction, if you want to call it that, and the Baker faction?

Baker: Yes, sure.

Knott: Did President Reagan ever comment on this to you—this notion that was often repeated in the press that this was a "divided White House"? Did he ever joke about it? Did it bother him, that there was this perception?

Baker: No. I don't think it bothered him because, as I've said before, I think he benefited from it. Now, he didn't like the controversy in the press and the stories about divisiveness and the rest. But those things really didn't hold stack. They were out there. It wasn't any fun to be on the receiving end of those. And I occasionally was. It wasn't any fun for Ed Meese to be on the receiving end either.

Knott: You were often portrayed in the conservative journals as the guy who was undermining the "Reagan Revolution."

Baker: Sure. The *eminence grise*. "Let Reagan be Reagan," they would say. That's why I don't talk about that. I mean, how outrageous. How demeaning to the President. But look, the proof of the pudding is in the eating. Did we undermine it, or did we end up with one of the most successful Presidencies of the last century? We ended up with one of the most successful Presidencies over the last century.

And to those people who would write that, I would ask them to compare the first term with the second. Just use Ronald Reagan's own words. He wrote in his book, "It was a mistake to let Jim Baker leave the White House." Well, it really wasn't a mistake in my view because I was burned out. Four years will burn you out in that job.

Young: OK. Talk about two things in the first term. One, your most difficult times working with the Congress on the issues. And the things that you regard as most successful that you helped to deal with. It was a very successful first term.

Baker: Well, when we came into office, in the meeting after we won—the meeting in the Oval Office—Jimmy Carter asked President Reagan to pursue one policy, and that was to support the idea of AWACS [Airborne Early Warning and Control Systems] aircraft for Saudi Arabia. We said we would. And when we got ready to send it up to the Hill and start the effort on the Hill, we had 75 or 76 Senators on letter saying, "Don't do this." We had to peel them off, one by one. I've got the voting slip out here in the hall, and you can look at if you want, where we won it, I think, 51 to 49, or 52 to 48. We got the Senate to approve that sale.

That was tough. We were taking on AIPAC [American Israel Public Affairs Committee], one of the most powerful lobbies in Washington, and they're rarely ever taken on and hardly ever beaten. We took them on, and we beat them. It was the right thing to do for our country and for our national security. That was an early victory that was very important.

The most important probably was to get our tax cuts through on reconciliation. Aligning ourselves with the Boll Weevils, the conservative Democratic Congressmen who were willing to vote with us to cut taxes and spending. Now, of course, we ended up in a bidding match with the Democrats on the tax cut, and we cut taxes by $750 billion, when we had campaigned to cut them by $500 billion.

Young: Yes.

Baker: That's when we went back the next year with TEFRA [Tax Equity and Fiscal Responsibility Act] to raise, to make up the deficiency with $250 billion that we overcut. The President didn't like it a bit. He was very reluctant to agree to it, and finally, finally did. And I remember the one day he took his glasses off and threw them down on the Oval Office desk and he said, "OK. We'll do it."

He really wasn't happy about it, and subsequently wrote that it was one of the worst decisions of his Presidency. I have to tell you something. I'm not so sure he wasn't absolutely right. At the time, it looked like we really needed to do that. The economy was still in the tank. The Carter recession was on. Our approval rating was down to 38 percent. And we were being blamed for all the economic problems of the country. The critics said that Reaganomics was the culprit, not the Carter thing. We believed that we really had to—we cut about $250 billion more than we campaigned we wanted to cut. We generated big enough deficits, as it was, even with that recapture. And they would have been just that much bigger if we hadn't.

And it was interesting that everybody—all of his senior advisors—were in favor of this. This wasn't a case where I went in there and won the day in an argument with the Meese people. Everybody favored it. Meese, [F. Edward] Hebert, Haig—everybody. The President, of course, with his aversion to tax increases, really didn't like it. I'm not so sure today that he wasn't right.

I've also said in writing—in the *Wall Street Journal* and elsewhere in speeches—that I'm a reformed drunk when it comes to supply-side economics. I ran the campaign that called it "voodoo economics." It wasn't my term, but somebody in our campaign referred to the Reagan supply-side economic theories as "voodoo economics."

Then I became his Treasury Secretary, got the 1986 tax reform through, saw what the reduction of these top marginal rates did for our economy over a period of 20 years—the longest sustained noninflationary growth. It's lasting until today. The root of the economic health of the nation today with five down quarters since 1982—late '82—we've only had five down quarters—in 1991 and '92, much to George H. W. Bush's chagrin. And then, recently, which we have just come out of. That expansion, that sustained, noninflationary growth, the creation of all those new jobs—stemmed in large part, from Ronald Reagan's tax cuts. You don't hear anybody today talking about getting our marginal rates back up to where they were when we came in, or even halfway up there.

Young: Yes.

Baker: I'm absolutely convinced that if you reduce those rates, you generate so much economic growth and activity that you will generate income—tax revenue increases to the federal government—that will eradicate the initial deficits that are created by cutting those rates. It used to be that people would say, "OK, your expenditures are here, and your tax revenues are here. If you just increase tax revenues up to the level of expenditures, you'll get imbalance and start generating deficits."

That's not true, because there's no control over Congress's future spending. That only works if you can put some spending control in as well. Ronald Reagan understood that, and that's what the [Phil] Gramm-[Warren] Rudman-[Ernest] Hollings stuff was all about.

Young: Yes. You spoke earlier about Reagan throwing his glasses on the table, and he really didn't want to do this.

Baker: No.

Young: You also said that he sticks up for his principles—earlier—and he did. But sometimes there's a crunch between the two. Was this one of them where he went head-on into conflict?

Baker: Yes, this is one of them. Again, though, this is not the run-of-the-mill type of compromise that I'm talking about when I say he's pragmatic, he gets 80 percent of what he wants. The truth of the matter is that he got 100 percent of what he wanted, plus some, in the original tax reduction. Now we got $750 billion when we had asked for $500 billion. This is a little different, but this is accommodating to the political exigencies that were extant at that time. That's what he was doing. His heart wasn't in it. And I'm not so sure that we wouldn't have still been all right, even if we hadn't done that—in retrospect. But at the time, we were really—I don't know whether you remember those days in '82, but boy, everybody was blaming us for the bad economy, which wasn't our doing. They blamed Reaganomics for all this.

I will say this. If we had not done that in ’82, with TEFRA, I’m not at all sure that we would have had the overwhelming victory we had in ’84. I think we would still have been blamed for the bad economy, and I’m not sure the economy would have come back. The interest rates would have gone through the roof with the kind of deficits we were generating with that extra $250 billion.

Young: Can you comment on the key players in the tax reduction efforts? Tip O’Neill, Ronald Reagan?

Baker: Tip was very much against this, of course. We were cutting taxes for the rich at the expense of the poor kind of stuff. We had Howard Baker, and Bob Dole, I think, at the time was Finance Committee Chairman. And then we had [Daniel] Rostenkowski—a Democrat—on the outside, with whom we worked.

We worked with him more on tax reform, but we got into a bidding war with him on our tax cuts. And that’s where we got from $500 to $750. [Robert] Michel was a name that comes to mind. He was a minority leader, I think, at the time. And, then we had the Boll Weevils. We had Charlie Stenholm and Phil Gramm and these conservative Democratic Congressmen from the southern and western states who represented the balance of power.

Knott: We’ve heard it said that President Reagan was very effective at dealing with members of Congress.

Baker: He was. He was very good any time we gave him a telephone request. Man, he would conclude it, and usually in that day. He would write notes back to us and say, “Here’s what we concluded.” Those all will be out at the Reagan Library. I am sure they are. As I say, if you gave him anything, he would do it. If you gave him too much in briefing material, he could try to learn it all and it would be counterproductive, not because he could not learn it, but because there were not enough hours in the day. But he was not reluctant to call Congressmen or Senators on anything. You’d just ask him to do it, and he’d do it.

Knott: Is it true that he had a sort of genuine affection with Speaker O’Neill?

Baker: Well, they disagreed on policy, viscerally. We had some very contentious leadership meetings where they would shout at each other. But when the day was over, when evening came, they’d have a drink and tell Irish stories. That was the way he governed. That’s a good way to govern. You couldn’t dislike Ronald Reagan. Everybody liked him.

And the outpouring of sympathy and praise and pageantry that you saw in this weeklong funeral was, I think, a consequence of that. The press thoroughly hated his policies, but they couldn’t hate the man. He had an uncanny ability to put them off, to co-opt them. You’ve heard the story that Sam Donaldson tells about one of the first East Room press conferences: We’re at 38 percent approval. The economy’s in the tank. We’ve got some major foreign policy problems. Sam stands up with all of his pomposity and recites all this and says, “Now, Mr. President, do you take any responsibility for any of this?”

And President Reagan said, “Well, Sam, yes I do, because I was a Democrat for two years.” [laughter] That just totally shut him up. There was no comeback. I’ve written about the [Bishop Desmond] Tutu story—which 41 told. He stole my lines in his eulogy. That was a great put-down by Reagan. The press smelled blood in the water because Tutu had trashed the President’s South Africa policy. They came running in the next day, “Mr. President, what about your meeting with Bishop Tutu? Bishop Tutu? The meeting with Tutu?” The President sits there and

looks at them for a few minutes, and he looks down at his hands, and he says, "Tutu? So-so." That totally disarmed them. It was over. They couldn't ask any more questions about him.

Knott: Did he ever get down?

Baker: Oh, yes. Yes. In late '81, and in early '82 when the economy was still in the tank and everybody was blaming us and his policies—the administration—he was down. It was tough. It was almost as if the policies were to blame. I don't think that *he* ever doubted it, but we weren't sure at that point whether these things were going to work. But they sure worked well.

Knott: Did he ever joke about the possibility of being a one-term President?

Baker: No. I never heard him say anything. He never acknowledged that he was even going to run until about a year before the filing deadline in New Hampshire. Maybe it was less than that. I always thought he would.

Knott: You always thought he would run?

Baker: Yes.

Knott: Could I ask you about some specific events in the first term, starting off with that dark day in March when he was almost killed? Where were you?

Baker: I was in my office at the White House. We got a call from Nancy Reagan's Secret Service that someone had fired a shot at the President. We didn't know that he had been hit. But just a few minutes later, Ed Meese came down the hall from his office. He occupied the National Security Advisor's office on the northwest wing of the White House. I had the Chief of Staff's office on the southwest corner of the West Wing. He came running into my office and we soon learned that the President had been hit and had been taken to George Washington Hospital.

I was supposed to go on that trip, but Deaver came into my office and said, "You know, if you've got something you need to do, I'll make the trip." I said, "Terrific, because I have a lot of stuff to get done." So I didn't go on the trip. Very fortuitous, because Deaver was barely missed, you know, with the bullet. Ed and I got into a car and went over to the hospital and spent the rest of the time over there. That's where we concluded that we should not invoke the 25th Amendment.

I should tell you about that because that's sort of a historical event. The 25th Amendment had never been called into question before that time. There had never been a situation for applying it—up until this one. We were over there at the hospital, and they had taken the President. You know, he looked up out at Meese, Deaver, and me, and said, "Who's minding the store?" You got all those quips that he did in the hospital. It's in the lore now. We went into a little broom closet, I remember, and Deaver was with Nancy somewhere, in the chapel, I believe. I went in with Ed Meese and said, "You know, we need to consider what to do here." Nofziger, I think, was there with us at the time. He was handling the press. The three of us decided we would not invoke the 25th Amendment. It's not up to us to invoke it. It's up to the Cabinet.

Here's the situation we faced. Most of the Cabinet was in the Situation Room over at the White House. But the Vice President—who's supposed to chair that meeting under the 25th Amendment, as I understand it—maybe not specifically chair it, but who's supposed to pull the Cabinet together—he was flying back from Texas. We were in conversation with him.

I was very much against invoking it, because the doctors had told us that they thought the President would be under the anesthetic for just a short period of time. And we had a Vice President who had run against him, had been his number-one primary opponent, and who definitely didn't want to be seen to be grabbing power at the first instance—particularly given the fact that his campaign manager was the Chief of Staff of the White House. We thought—and I know the Vice President thought this as well—that if we were too quick to invoke that thing, it could create some difficulties and some problems.

Meese agreed with me. And I think Nofziger did. So we did not invoke it. Some people have been critical of that. I don't think it's justified, because the President, as you know, was under the anesthetic for two to three hours, or something like that. And he was himself again the next day, to the extent of signing a piece of legislation that I took over to the hospital for him. That's what happened. The Vice President didn't get back until late evening, after the President had come out of surgery and was doing well. At that time, of course, once he got to the Situation Room, if they'd wanted to invoke it, they could have. The Vice President could have, but he felt the same way I did, and that we did.

Knott: There were some reports—not to get back to Edmund Morris—that the President was never quite the same after this assassination attempt. Did you see any change?

Baker: No. No. President Reagan had a very private but very deep spiritual faith. Remember he said, "I decided after that, that whatever time I had left, I was going to devote to the man upstairs." Or "He spared me." I saw that. I saw that reflective spirituality component of his personality, but that's all. In terms of being less vibrant, less vigorous, less effective? No, I didn't see it. Ask Fritz Mondale if you think he was adversely affected. [laughter] He wasn't. That was a blowout election.

Knott: Yes. Mrs. Reagan became more concerned with the President's security, and more involved in planning of events. Is that an accurate statement?

Baker: Well, it's an accurate statement to say that she became more concerned with his security. And yes, she would take a closer look at what we might have on the schedule. There were some things—I can't remember what they are. Deaver can answer this better for you—where maybe she might have said, "Oh, I don't think we ought to do that."

You're familiar with all the astrology stuff. We knew about it at the time but didn't focus on it much. It never came into play that I can remember, more than one or two times, while I was Chief of Staff. Regan, when he fell out with her, dumped it all out there publicly.

Young: But I think it was not an astrologer's view on things. It was Nancy's judgment.

Baker: Oh, sure, it was her judgment. But no—the astrologer didn't say, "Here's what you ought to be doing." It was her judgment, but she would want to know that things didn't look real bad.

Knott: How frequently would you hear from her? Or would she tend to work through Michael Deaver?

Baker: Nancy? I would hear from her fairly frequently, particularly if she had something on her mind that she wanted us to look at or deal with. But most of her interface with us came through Mike. He had the responsibility of the East Wing for her staff, the military office, and for the logistics of the White House advance scheduling.

Knott: I'd like to ask you about another event in that first year in office that was fairly significant in terms of the Reagan Presidency: the air traffic controllers' strike.

Baker: There was never any debate about that. The President, right off the bat, said, "Are they striking legally?" And the answer was, "No." And he said, "That's not the way people ought to work. Tell them when the strike's over, they don't have any jobs." It was a very decisive move. It enhanced the power of the Presidency significantly at that time. Most of the American people didn't support the idea of a union that was a public service union and was legally barred from striking. They didn't want them to strike. They didn't want to support it. So we had the support of the vast majority of the American people.

Knott: In November of that year you had the David Stockman article that you've already alluded to. Could you add anything else to that?

Baker: You're talking about the Trojan Horse?

Knott: Yes. The *Atlantic Monthly* piece.

Baker: And you've read the pieces in the books. You've read Stockman's book about what I told him?

Knott: President Reagan was initially inclined to fire him? Or had no feeling either way?

Baker: I can't answer that. I remember we discussed it with him at length. I've already told you that Meese and Deaver, I think, felt that he should be fired. We had a lot riding on Stockman. He's the only guy who knew the numbers. He's the only guy who knew the budget. He was one of the most effective advocates we had up on the Hill for the program that we were trying to get passed, which was the guts of our first term—the most important. My feeling was that we really should not do that if we wanted to be successful in our tax cuts, and in our budget, and in reconciliation. The whole idea of doing it through reconciliation was David Stockman's idea. I didn't feel, myself, that what David had said was going to be all that politically damaging to us. And I don't think it was.

Young: You don't?

Baker: Well, I really don't. Now, it might have hurt us in the '82 midterms. But it certainly didn't hurt us—when you win 49 states, you've got a successful Presidency. So how did it hurt us? Well, maybe it cost a couple of Congressmen their jobs. I don't know if that's true though.

Young: Well, it cost in the press.

Baker: We got some bad press. But you weigh against the bad press you know you're going to get whether or not you get your economic program through the Congress. And that was what was at stake here. And you've read his book about what I told him. I called him in and said, "Stockman, get over here. You're going to have lunch with the President, and the menu is humble pie." Have you read it?

Knott: No, I haven't.

Baker: "And you're going to eat every m-----f------ spoonful of it." He put it in his book. It's in his book. So it's public knowledge. So I come home—I don't know whether it's that Christmas or the next spring. My mom's about 87 or 88 years old. And she says, "Darling, I'm reading David Stockman's book. You didn't say those things, did you, darling?" And I said, "Of course not, mother." [laughter]

The President took him to the woodshed, and, knowing President Reagan, he probably wasn't too tough on him. But I still believe it was the right thing to do to keep him to get that program through, because that was the whole basis for our success in the first term.

Knott: I wonder if you might recall for us some other major events, one of which would be the Soviet shoot-down of the Korean airliner. Were you with the President when this happened?

Baker: I can't remember where I was when it happened. I remember we had very important discussions about it in the Cabinet Room. I was Chief of Staff doing the political side of the White House at that time, not paying too much attention to some of the foreign policy stuff—although I was there on all the meetings. I attended all the NSC meetings. But I just remember it happening. Was there anything controversial about it? I don't think there was.

Young: Well, the President wasn't notified right away. He was at the ranch at the time.

Baker: Meese took a lot of heat in the first term for not waking the President up when the Libyans did something. I can't remember what that was back in '81.

Young: Yes, I think the same story kind of crops up again in the press.

Baker: But was it in the second term that the Korean airliner was shot down?

Knott: September of '83. September 1.

Baker: I must have not known about it, or I would have waked him up. I woke him up at two o'clock one morning, after we had lost a black pilot over Syria named Robert Goodman. Jesse Jackson had wanted to go over and retrieve this black pilot, and a lot of our hard-core guys didn't want him to do that. President Reagan said, "No, let him. Let's see if he can have better luck." The Syrians wanted to embarrass us, and so they turned the pilot over to Jesse Jackson.

I got the word about two o'clock in the morning from the Situation Room, and I called the President, and he said, "Now I want to tell you something, Jim. I don't want anybody to say anything negative about Jesse Jackson. He got our pilot out, and we should give him credit for that. And in fact, I'd like to have a ceremony in the Rose Garden where we bring the pilot and Jesse Jackson in." That was the kind of broad-gauge politician he was. He knew that the politics of the situation were much improved by that approach than if we had been out there a dog in the manger trashing Jackson, who had been able to get the pilot out. That was his decision at two o'clock in the morning.

Knott: You had a very tense week in October of '83 with the bombing of the Marine barracks in Beirut, Lebanon, followed a few days later by the invasion of Grenada. I was wondering if you have any recollections from that.

Baker: I have a lot of recollections—more about the Grenada invasion than about the bombing. The bombing was something we did not initiate. We initiated the Grenada invasion: it was the first military action since Vietnam. We got a lot of flak—I did, particularly—for not telling the press in advance, or not telling our Press Secretary. But you have to remember, we were operating with the Vietnam syndrome in full force. And we weren't about to take any risks of casualties to Americans through a leak. No procedure had been worked out at that time whereby the Defense Department would notify certain selected pool reporters, under a badge of secrecy, and let them accompany the forces on the action, the way it is now in Desert Storm in '91, and the current activity in Iraq.

We got a lot of flak from the press. But we weren't going to trust them. We just weren't going to trust American lives to risk a leak. And there was another thing I remember specifically about Grenada. We held it so tight. We were going to do our congressional consultation the night before the action was to go down. So about 7:00 or 8:00 at night, we had the leadership up in the Yellow Room in the residence—Howard Baker, Tip O'Neill.

It was from there that President Reagan called Margaret Thatcher. She was outraged and was really upset that she had not been notified before the night before it's going to go down. It was a Commonwealth country. We didn't want any leaks. So the President did a good job of trying to mollify her. Didn't mollify her. He was very courteous and generous on the phone.

Then we briefed the leadership. And after we briefed them, Tip O'Neill, who, as Speaker of the House, was the senior person there in terms of succession to the President, stood up and said, "Well, Mr. President, this isn't consultation. This is notification. Good luck." And he walked out of the room. They were upset that we were telling them just the night before. But again, we didn't want to run any risks. I remember that about Grenada.

I remember bringing Prime Minister [Mary Eugenia] Charles in from Dominica and briefing the press in the Press Room. I remember that we had American students at risk there. That was our *casus belli*, and we flew some of them back from Grenada.

With respect to Lebanon, I remember that there was a debate among the national security community with Shultz on one side and Weinberger on the other, a fairly divisive thing about what we should do—whether we should beef up our forces in Lebanon or whether we should withdraw. And the President, interestingly enough, came down on the side of withdrawal—which was what the Defense Department wanted, and not what the State Department wanted. George Shultz was very disappointed in that. I remembered that he was very anxious about some of the commentary that we were somehow trying to blame him for those 250 lost Marines. Those are the things that jump to mind on those two issues.

Knott: There were quite a few confrontations between Shultz and Weinberger.

Baker: Oh, yes. It was constant. It was every bit as difficult as [Zbigniew] Brzezinski and [Cyrus] Vance. Just take the current administration's difficulties between [Colin] Powell and [Donald] Rumsfeld.

But those were more often than not the rule rather than the exception, because there often are natural rivalries between the Secretaries of State and Defense reflecting their sometimes different sets of goals. The exception was the George H. W. Bush Presidency where the national security apparatus worked the way it was intended to work. We weren't out there trashing each other and backstabbing. I'll bet you Dick Cheney and I didn't take four issues, five issues, to the President for a decision. We worked them out ourselves before we took them. And I think the reason is that we were all friends and colleagues from prior service in government—me, Cheney, Powell, Brent Scowcroft, and the President himself.

The President also was an expert in these areas. He knew how the national security community was supposed to work. We had a lot of this really very difficult, almost hand-to-hand combat between Weinberger and Shultz. And for much of his term there, George was outnumbered. He had some protectors in the White House, named Jim Baker and Mike Deaver.

Knott: He had threatened to resign on a number of occasions as well.

Baker: Yes, he did. He did threaten to resign one time that I remember, when Judge Clark was planning to send Jeane Kirkpatrick to Latin America without telling the Secretary of State. I went to see the President and said, "Mr. President, if you're going to do this, it's fine. But don't you think your Secretary of State ought to know about this?" The President said, "Of course he should. I just assumed that he did know about it." But he didn't. And that's when he said, "Well, maybe I'm not the right guy to be your Secretary of State." The President—his jaw dropped. It wasn't in the form of a threat. But he didn't want to lose George.

Knott: What do you think was wrong with the Reagan national security apparatus? Why was there this instability?

Baker: No President likes controversy. No President likes to have to try to resolve deeply held beliefs and arguments between their closest advisors. It's just very tough to do. I don't think President Reagan was unique in that respect. Shultz and Weinberger had clashed in prior government service. They might even have clashed at Bechtel, for all I know. I don't know the answer to that. It was tough, it was really tough. There were some in the administration who were ideologically opposed to Shultz's idea that you negotiate, that you compromise, that you lean forward to try to resolve something diplomatically or politically rather than militarily. And he was operating there. He had Clark, and Meese, and Casey, and Kirkpatrick, and Weinberger. All of them were on the other side of many of these issues. There were five. That's about all I can tell you.

Young: But it certainly didn't work well for you.

Baker: It didn't work. It did not benefit the President, no. You said there were six National Security Advisors? And then some of them—look at Iran-Contra.

Knott: When you first heard about it when that story broke, what was your reaction?

Baker: I don't know what you mean when the story first broke, because it dribbled out. Nobody really knew for a long time exactly what had happened. When I left to go to Treasury, I asked that the Treasury Secretary be included—because he hadn't been—in National Security Council meetings. And one day after the Iran-Contra thing broke, I saw John Poindexter in the West Wing lobby, and he said, "You know, I've been meaning to call you. I'm sorry I cut you out of the meetings of the NSC. As Secretary of the Treasury, you should have been there." I said, "John, you don't understand what a great favor you did for me not to invite me to those meetings." That's a true story. I don't know what they thought they were doing.

Knott: They thought they were letting Reagan be Reagan by—

Baker: Oh, I don't know. I'm not even sure to this day the degree and extent to which those things were run through the regular NSC meetings, or whether they were just done with Poindexter, [Robert] McFarlane, [Oliver] North—whoever was involved. I really don't know. I was sitting over there at Treasury, and I was glad not to be a part of it. But the President was poorly served—very poorly served.

Young: Would you say that of his first term as well? In the foreign policy area?

Baker: No, because I don't want to condemn everybody. What I'm saying to you is that he was poorly served by the three names that I mentioned who got him off in this deal. I do believe—and again, it's a self-serving statement, but I'll make it anyway because I think others who were there will back it up. If we'd stayed a second term, particularly Mike Deaver and me, it wouldn't

have happened. We wouldn't have let that happen. First of all, they wouldn't have been able to do it and hide it from us.

Knott: Did Don Regan give Poindexter and North—essentially, just let them?

Baker: Well, I think they were operating free of the Chief of Staff. They weren't checking—

Young: Were they doing that consistently when you were there as Chief of Staff?

Baker: As I told you, one reason that we talked about my becoming National Security Advisor and Deaver becoming Chief of Staff is that we did not have control of the national security side of the house. Of the house, OK? Clark had been President Reagan's Chief of Staff in California, and he felt free to go do some things and not necessarily clue us in on what they were. Now, the President was always pretty good about giving us a read-out on any private meetings that he had with anyone. But Clark had walk-in privileges, just like we did. So then you had four with walk-in privileges. You had Meese, and Deaver, and me, and Clark. So he could go in there and he could get the President, if he wanted to, to agree to something, what we used to call "Oh, by the way decisions," which is, you'd be leaving the Oval Office, and he'd say, "Oh, by the way, Mr. President, you ought to do such and so." All Presidents are vulnerable to that.

One of the things that happened that you're aware of is that there was a leak involving the shelling of a place called Souk-El-Garb, I think, in Lebanon. Clark went in by himself and got the President to order an investigation of that leak. He got the President to order his Attorney General to strap everybody up to a polygraph.

I heard about it. I was having lunch at the Madison Hotel, and Deaver called me and said, "Here's what's just happened." I got up from the lunch table and went back to the White House, walked into the Oval Office. The President was having lunch there with Secretary Shultz, I think. I'm not sure. Anyway, I said, "Mr. President, as I understand it, you just issued this order of—you know, you gave me the responsibility and authority for these types of things as Chief of Staff. And you've asked the Attorney General to give polygraph tests to the people in the meeting, including, of course, your Secretary of State, your Vice President, your Chief of Staff." And I rattled it on.

And Shultz, I believe, at the time said, "Well, if you don't have any more confidence in my word than that, then I might maybe ought not to stick around. Are you going to strap up the Vice President?" The President had been sold a bill of goods by Clark. He wasn't really focused. He's not a lawyer, he didn't understand. He was outraged at the leak, as a lot of people were, and he just said, "I want it investigated."

He shook his head after he made those comments and said, "Bill shouldn't have done that. We're going to roundtable that later this afternoon. Get everybody over here." We had a good donnybrook in the Oval Office, and he reversed the order. But see, that was the type of thing that we wanted to try to get a handle on by the swap for National Security Advisor and Deputy Chief of Staff to be the Chief of Staff. Then you could run a ship with the rudder always pointed in one direction, not running and going in circles. You're familiar with that story though, aren't you?

Young: There have been several accounts written down about it. I think it's important for us to try and clarify for this oral history just what was going on and the various elements of the perennial difficulties on the staffing of the operational side that Reagan experienced in the national security area while he achieved great success, it seems to me, in terms of what he accomplished toward ending the Cold War under [Mikhail] Gorbachev. But still, it's a troubled

Presidency perpetually or perennially in the national securities area, in the way that his successor's wasn't at all.

Baker: That's correct.

Young: There's the component of that in the turf battle and the differences in philosophy between George Shultz versus the Haig thing. And then, the difficulty between Shultz and Weinberger, which is—

Baker: And, Shultz and Clark, ultimately.

Young: Shultz and Clark. And then there are the goings-on in the national security staff, which ultimately produces the Iran-Contra scandal. What does the President know about this? Is the President bothered by the Weinberger/Shultz, or did it serve his purposes?

Baker: He's very bothered by it. That was a lot more divisive—and almost personal—than the differences, for instance, between me and Meese. I think Ed and I, given all those differences and all the stories that you read, we worked pretty well together. There was never an effort that I'm aware of on Ed Meese's part to go out and get true believers to call for my resignation. Well, a few of them did, some of the really hard, hard-core. One reason may have been because any time anything like that surfaced, the President himself would go out and say something and knock it down. So I'm not sure I know exactly why there was a difference there, except that the issues were more literally thought out. And maybe Ed Meese and I were able to reach accommodations that weren't reached on the national security side.

But that's first term. The second term was a clearer problem, where the National Security Council went operational, and there was no real, firm hand on—I don't know what Regan's agreement was with Secretary McFarlane. I know that he and McFarlane differed. There was some bitterness there, allegations of personal misbehavior. I don't know.

Don made a terrible mistake when he came in and said, "You know, we're no longer going to have three people in here with their varying views. This is not going to be 'spokes of the wheel.' This is going to be one chief, one funnel to the President. Everything's going to come through me, and there's not going to be a sparrow that lands on the White House lawn that I don't know about."

And then Iran-Contra breaks, and they come to Don, and he says, "What? Who? What?" That was a pretty big sparrow that landed that he didn't know anything about.

Young: Yes.

Baker: On the other hand, it's pretty hard to argue with the success of laying the basis and foundation for the end of the Cold War.

Young: Yes.

Baker: President Reagan properly gets credit for that. But there are a lot of problems on the national security side. You would expect that to be the case when you see six National Security Advisors in eight years.

Young: Just what explains it?

Baker: I can't answer you.

Young: That's for people to figure out in the future.

Baker: I guess so. I can't really explain it.

Knott: Was Bill Casey as CIA Director somebody who was frequently talking with the President? Visiting the President directly?

Baker: He liked to go in there, but he never went in if we didn't get a debrief from the President, because Bill would come up with some interesting ideas. I think that we mined the harbors, didn't we, in Nicaragua at one point? Just went out there and mined those. Well, that came from the rear.

I had my differences, of course, with Bill, on the Debategate issue. You're familiar with all of that? I knew I was telling the truth. And the congressional committee that investigated it concluded that I was, because I knew where that book came from. I didn't know where it came from to Casey, but I knew where I got it. The *Washington Post* loved that fight because they wanted to strap us both up. I knew I was telling the truth, but I was deathly afraid of having to take a polygraph because those guys out at Langley know how to game the polygraph. They do!

Knott: Yes.

Baker: And I knew damn good and well that Bill would be able to game the polygraphs, and here I was very conscious of my reputation for integrity and character and all the rest that I had built over a number of years, both in the private sector and in government. I would have been so damned nervous I probably would have flunked. So the Congressional investigation that concluded that I was telling the truth and he wasn't was welcomed by me.

Knott: Did that sour your relationship with him?

Baker: Pretty much so. Yes.

[BREAK]

Knott: All right. I was wondering if I could ask you some more questions about some major events from the first term. And perhaps one of the more historic events was President Reagan's nomination of Sandra Day O'Connor to be the first female justice of the Supreme Court. Could you tell us a little bit about your involvement with that?

Baker: There had been some talk during the campaign about the fact that he might be the first President to nominate a woman to the Supreme Court. I believe that William French Smith and Meese had developed some names. I really didn't have much to do with that, except to take charge of the arrangements for announcing it, briefing her. I sent Pete Roussel, from the press office, to Arizona to sit with her, so when the story broke she'd know what to say and how to deal with it. And then, of course, I had responsibility for the confirmation process because I had Congress under my side of the layout.

Knott: That was a fairly easy one, I assume.

Baker: It was a good one. Oh, yes, it was very popular. She got confirmed fairly easily. She had very good legal credentials.

Knott: On another note, President Reagan's first Labor Secretary, Ray Donovan, quickly ran into trouble with the Special Prosecutor and so forth, and it got a little ugly at times. Did you

have to deal with those kinds of situations at all, in terms of the political repercussions?

Baker: Oh, sure. That was one of the terrible things about the ’80s, the late ’70s, the ’80s, and to some extent the ’90s—the independent counsel law. The independent counsel law was an outgrowth of Watergate, but it was really an overreaction. It was driven as much by the press as anybody. It was a way for the press to get into the game. And it also really polarized our politics. It was one of the reasons things have gotten so ugly up there in Washington, because people concluded fairly quickly that the best way to win a race was to get your opponent indicted or investigated.

The independent counsel law did not require any significant level of proof. All you had to have was one allegation by a credible source against the very top people in government, and you’d have independent counsel. Ed Meese, I think, had two, or maybe three—two, anyway. And Ray Donovan was the first one of ours. Correct me if I’m wrong—I think Ray was never indicted.

Knott: I think he was indicted, but then he was acquitted.

Baker: He was acquitted. OK, sorry. He was indicted but acquitted. But the mere fact of an indictment, when you’re a high-level government official or political candidate, can ruin your reputation, ruin your career. I never will forget what Ray said. At the end, he said, “Where do I go to get my good name back?” There wasn’t any way to get it back. It was a real travesty. The independent counsel law was just outrageous.

Clinton made a terrible mistake by reauthorizing it, and it came around and bit him. You guys probably don’t remember this, but when we were running in ’76, Gerry Ford’s own Attorney General showed up one day about a month and a half or two months before the election and announced that Ford was under investigation. No independent prosecutor was appointed. But they looked into his finances from the time he was in Congress, and of any role he might have had in discouraging the Watergate investigation in 1972. It had a definite impact.

I’ll give you another example of where the independent counsel law perverted the political system. George H. W. Bush, in ’92, was really beginning to move against Clinton and [Ross] Perot. Numbers were turning our direction rapidly, when Lawrence Walsh indicted Cap Weinberger. Yes. You tell me he had to do it there four days before the election? Politics! That was a terrible law. And one of the best things that have happened to our *politique*, our political system, is that that law has gone by the boards. [*raps table*] Because if somebody drew an independent counsel, it was a negative in terms political perception.

Knott: You also had a situation in the first term where the Environmental Protection Agency was in the news fairly frequently, and Anne [Gorsuch] Burford, I believe, was—

Baker: Yes. Was she ever cited for contempt or just about to be cited?

Knott: I thought she actually was, at one point.

Baker: Yes, I had to deal with all that in my side of the White House because those were political issues. I think Anne ended up turning it over to the House rather than being prosecuted for contempt of Congress. That happens quite often. This current administration has resisted and resisted. You resist right up to the point where it’s costing you politically. You try and protect the separation of powers. But we live in a democracy, where our system is a political system. I don’t mean to trash politics. I’m just saying the political considerations come into play in all the policy debates, and everything the President of the United States does has a political component.

I'm not talking about electoral politics.

Knott: Along with Anne Burford, Jim Watt was a real lightning rod for a year or two as Secretary of the Interior. The whole Environmental/Interior front was sort of a weak point for President Reagan. But by 1984 both of those people had been removed, and that issue had been sort of taken off the table. Was there a concerted effort to do that?

Baker: Not with Jim that I can recall. I don't remember about Anne. I don't believe we fired her. But I can't remember about Anne. That was not a really big high-profile. Was she EPA [Environmental Protection Agency]?

Knott: She was EPA director.

Baker: EPA. Yes. Jim left of his own accord. When we interviewed him, he told President Reagan, "The day will come, Mr. President, when you will have to fire me. I'm an advocate for my position. And when that day comes, you fire me." [laughter] Jim was a very strong person. Maybe you could argue, well, by having those people leave, we strengthened our political position—maybe. But I don't think we threw them over the side to appease the wolves. It wasn't that kind of thing at all, that I recall. President Reagan wouldn't buy that stuff. It was loyalty up, loyalty down.

Knott: Was it the norm for you to travel with the President, if he would go overseas? Would that be the standard practice?

Baker: Yes. Yes.

Knott: Do you have any recollections of the trip to Great Britain in the summer of '82 when the President made his famous Westminster speech?

Baker: Yes, I do. I have a lot of recollections. I've already told you about the helicopter.

Knott: Right. Anything along those lines?

Young: More than that. About Reagan and some of these trips and his dealings with foreign leaders.

Baker: Dealing with foreign leaders? He was very good, just like he was good at dealing with domestic political figures. He had the uncommon gift of being a strong leader with boundless optimism and a sunny disposition. He made people feel good. I've already told you, a lot of people didn't like his politics, but they couldn't dislike him personally.

Young: What about Thatcher?

Baker: They were like soul mates. Yes, he and Thatcher were extraordinarily close. President Reagan was so comfortable in his own skin that he would let Prime Minister Thatcher speak for both countries. That presented us with a little bit of a problem when the Bush administration came in, because President Bush had to establish himself as the leader of the alliance. He couldn't defer to the Prime Minister of the U.K. And so, when she no longer got to speak for both the United States and the U.K., it was not as much of a fun deal for her. But they were still very good. She and Bush 41 were good partners, and they worked well together. But it was a different relationship.

Knott: I believe you were still in the White House when Thatcher told Reagan that Mikhail Gorbachev was a man she could do business with. What effect did that have on Reagan's attitude

toward the Soviet Union?

Baker: I think it was probably very helpful in moving him toward the idea of negotiating arms control agreements and treaties and trying to, in fact, do business. Nancy, though, was very interested in that as well. She was pushing for that. She would have liked for his legacy to be a major-league arms control agreement with the Soviet Union, which just eluded him. START II [Strategic Arms Reduction Treaty] was done—hoo, let's see. We finished START I, didn't we, in the Bush administration. We concluded START I when I was Secretary of State. We did the Chemical Weapons Convention when I was Secretary of State. And we did START II. So the final dénouement of those arms control negotiations occurred under Bush 41. But a lot of the groundwork had been laid by President Reagan.

Knott: Were there those in the White House who didn't see Gorbachev along the same lines as Thatcher did?

Baker: Were there? Sure. Plenty. And hard-core. It's like when we were there and Dick Cheney went out one day, in '89 or '90—I can't remember when it was—and said, "Gorbachev's not going to make it. He's going to fail." Well, we were dealing with Gorbachev, and we didn't want that to be a self-fulfilling prophecy. This was in '89.

I picked up the phone and called the President. I said, "You have to have a unified approach on your foreign policy. You can't have everybody out here speaking about pure foreign policy issues." [Robert] Gates wanted to give a speech. I quashed it. President Bush quickly walked away from Cheney's remarks, and he never went out again. There's nobody I'm any closer to than Dick. He got me into national politics. But you have to have an organized and coordinated approach. You can't just let everybody who wants to go say something publicly say it. Your allies don't know where you are. Your adversaries don't know where you are. Pretty soon, you're no longer feared by your adversaries, and you're no longer admired by your allies. And that's a bad thing.

But sure, there were plenty of people who didn't want to see him negotiate. They thought it was squishy, we weren't letting Reagan be Reagan.

Knott: And he wanted to.

Baker: Sure he did. I have the first letter he wrote to [Leonid] Brezhnev—I have a handwritten copy of it here; we can't put our hands on it right now—saying he was going to dissolve the grain embargo and hoped that they could work together and so forth. He wrote those letters in his own handwriting. And he didn't change them just because the State Department didn't think a particular phrase was appropriate. The story about "Gorbachev, tear down his wall." He wrote a lot of letters to people in his own handwriting. The press missed all that. They thought he was just an actor. "What are we going to do today, fellas?"

Well, he might say that. But he wasn't saying it as if to say, "Whatever you guys to tell me to do, I'm going to do." Not *Bedtime for Bonzo*. That's so outrageous that people believed that about this extraordinary, extraordinarily successful, two-term President. Why do they think he would have been reelected by 48 states? The American people aren't totally dumb.

Young: I guess it happens to every President that they get a reputation and a stereotype. And sometimes the stereotype changes.

Baker: Absolutely. But sometimes it doesn't. He got a reputation for sleeping in Cabinet

meetings, didn't he?

Young: Yes.

Baker: Well, these are the doodles. These are some doodles that he did. He was a good artist. He gave it to me, and he wrote on it, "Dear Jim. You see? I don't sleep in all the Cabinet meetings. Sometimes I do this, trying to get to sleep. Ron" [laughter] Didn't we have fun?

Young: Wonderful sense of humor!

Baker: But that was the stereotype, right? He slept during Cabinet meetings. Well, the only time I ever saw him sleep was in a meeting with the Pope, the first time we went to Europe. We had an audience with the Pope. We'd gone straight over, with no rest. We flew overnight. The President's 71 years old, and he's sitting there, and the Pope is droning on and on and on and on and on, droning on and on. The President's sitting there in the chair right next to the Pope going snnnn, clearly nodding off. It's live on television back to the United States! Nancy's right next to him. She's going [clears his throat very loudly; laughter] trying to wake him up. But there wasn't anything we could do. We were sitting right there in a line down from her. He was sound asleep. But he didn't sleep during the Cabinet meetings.

Knott: Clark Clifford referred to him as an "amiable dunce," and there was a lot of media coverage at the time that questioned Ronald Reagan's intelligence.

Baker: Sure. And it was the best thing that ever happened to him. The *best* thing that ever happened to him was that he was underestimated. That's the best thing that can happen to any politician. He was severely underestimated. And he made them all look like fools.

Knott: That didn't ever bother him?

Baker: No. He was very secure in his own skin. He was very broad-dish. He knew who he was. He knew what he believed in.

Young: But aside from the stereotypes—and many were tried—you have the period when "he was too old." "He was sort of out of it." And then the time when "it's just the fact that he has to have all his lines written, programmed."

Baker: Yes, that he was a shoot-from-the-hip cowboy actor.

Young: Yes. And you look at all these different things. And you've got to understand, when you do that, that none of it's real, doesn't serve any purpose. But there's this screen that's put up for the public with all these images to view. It seems to me it's very hard for people who are dependent on what's said in public, often, to make their judgments and interpret what a President's doing, to see the successes that are going on and the kind of genius behind it.

Baker: Well, all you have to do is look at what happened last week. None of that stuff stuck. None of it! Look at the outpouring of love and affection and genuine admiration. Sure, there were still people who criticized this aspect or the other of his Presidency, but, boy, we haven't seen anything like that in a long time. Those things simply didn't stick.

It's, frankly, one of the things that has led to the current President's success. He was severely underestimated by the press, going into the 2000 election. By all rights, Gore should have won that election. The economy was booming along with a successful, two-term Democratic Presidency. And yet Bush did well because everybody expected him to stand up there and suck his thumb and drool. And he didn't. The same thing was true with Reagan. Sorely

underestimated. Best thing that can happen to you in politics.

Young: The picture we get, and I think we're getting it from you, among other things, is that Reagan did his homework.

Baker: I told you earlier this afternoon, if you give him too much stuff, you make a mistake because he's going to try to learn every bit of it.

Young: But that's because he does his homework.

Baker: That's correct!

Young: And this was, I think, totally missed by anybody who was interpreting this administration's policy.

Baker: That was missed. And let me tell you what else was missed: the fact that he did a lot of his speeches in his own hand and letters in his own hand. That was all missed, too.

Young: And now it's coming out.

Baker: Well, I have one here to Brezhnev, in his own hand. It was a first draft of a letter eliminating the grain embargo, right after we came in.

Young: Reagan was known, we're told—when he was an actor—as the only one who would come in for a shoot and know all of his lines. He's done his homework for it. You'd never have to take two takes.

Baker: You never had to take a second take with him on any TV thing, reading a videotape or teleprompter. Perfect. Never a second take.

Knott: Could I ask you a question about Reagan's position toward the Soviets? There's a feeling in some quarters that the President had a strategy in mind to undermine the Soviet Union, economic pressure, spending them into the ground militarily, SDI [Strategic Defense Initiative], and so forth.

Baker: I think there's a large degree of truth in that.

Knott: So you think he had a coherent strategy of winning the Cold War?

Baker: Well, I think the strategy was "peace through strength," which was articulated during the campaign. I believe that was his strategy and his policy. When he went across in his first press conference there in January or early February of '81, and said the Soviets would lie and cheat and steal, do whatever they have to do, everybody said, "tch, tch, tch, just cowboy, shoot-from-the-hip, dumb actor, doesn't understand diplomacy or statesmanship. We have a President of the United States saying those things."

But he was right. He was absolutely right. To that extent, I think he had a strategy. He was going to be very strong, and he was going to stand up to them, and he was going to test them. And he did. And they weren't up to compete. Why do you think Gorbachev and [Eduard] Shevardnadze and these guys opted, during the Bush administration (because that's when it happened) not to use force to keep the empire together? They opted not to use force because they didn't think they could compete with us economically.

And they were deadly afraid of SDI. All of the arms control things that I negotiated with them—and I negotiated a bunch—they always wanted to get an obligation on our part to give up space-based defense. Of course we never were going to do that. So you asked me if the particulars of

that strategy were in Reagan's mind when he came into office in '81. I can't say that they were. But the strategy was pretty well persistently pursued throughout the eight years of his Presidency.

Young: I think some of the fear was that what had been known as détente was not the right posture for the United States, and the President was changing that posture.

Baker: Yes. Well, we adopted a posture of "peace through strength." We adopted a posture of "trust but verify." That was in the President's own words. He was willing to do that, and he was willing to sit down and try to negotiate something with the Soviets, much to the chagrin of some of his more hard-line backers. They didn't want to do it.

The same crowd that has now gotten us into Iraq, the so-called neocons, who don't think that there's any room for soft power or diplomacy or political efforts to pursue a foreign policy. The only way you do it is militarily. And the only thing that counts are ideals, and not—Well, national interests, yes. But ideals. You know, they emphasize the ideals side of foreign policy considerations as opposed to the more national interest side. It was those people who objected to his trying to negotiate something with the Soviet Union, Gorbachev even. It's those very same people who now have gotten us into—

Young: The hawks.

Baker: Well, they're not really the hawks. They're the neocons, which is a little bit different.

Young: Weinberger was not in that camp?

Baker: Weinberger was not. Weinberger never wanted to use force, as a Defense Secretary. It's a little bit confusing because he was very conservative, very much over there on the hard-right side, but never willing to—Maybe it was just a function of his difference with Shultz. Didn't want to go into Grenada! Grenada was a piece of cake. And Bill Crowe, the Chairman of the Joint Chiefs, didn't want to go into Grenada. Talked about all the terrible things that could happen. Well, it's a hell of a lot different going into Grenada than going into Iraq. But I think that Weinberger's reluctance was more simply that the State Department wanted to pursue coercive diplomacy, which is the diplomacy that has the best chance of success. And the Defense Secretary didn't want to do that, the military never too anxious to fight these wars, you know.

Young: And the neocons didn't want it.

Baker: The neocons probably did want it at the time. But they were not in the positions of power that they are today. Paul Wolfowitz was a low-level—Actually, I think he was an ambassador to Indonesia at the time. I don't know where Richard Perle was, Assistant Secretary of Defense. There wasn't a neocon problem in the Reagan years. Well, they were there, but they weren't in high-level positions.

Young: So the basis of the opposition to coercive diplomacy was just the ideological?

Baker: No, I don't think so. I think it was more the military's natural reluctance to want to fight wars, because of the casualty problem and the fact that this was where Cap was coming from. Who was it said, "We built up this big military. Now that we've got it, why aren't we ever willing to use it?" Why do we need to build it up, if we're not ever going to use it? Maybe that was Albright.

Knott: Madeleine Albright.

Baker: That was the same idea. Cap was really sort of reluctant ever to authorize the use of—

Young: See if I've got this right. He was also opposed to negotiations, very much. I'm trying to determine the seat or the seats of opposition to what Reagan was pursuing with George Shultz's coercive diplomacy.

Baker: That's what George believed in.

Young: Yes. I think the President pursued that strategy, didn't he?

Baker: He ultimately pursued that strategy. Not in the way that we pursued it in Desert Storm. Coercive diplomacy is what Shultz was after in Lebanon. And then we went in there, and we had all these Marines there. We got them all killed. And then Shultz lost that argument to Weinberger, who said, "We had no business being in here." Now the neocons would have said "reinforce!" And that would have been George's position at that time.

Young: Maybe I've got the wrong term.

Baker: Yes, coercive diplomacy is when you use the threat of military force or military force to support your diplomacy.

Young: Well, Reagan was looking to see if his policy with regard to Brezhnev, toward [Yuri Vladimirovich] Andropov, his lifting of the grain embargo, all those things are openings, it seems to me, to start talking with the Soviets on terms satisfactory to him.

Baker: Well, he did.

Young: He used strength, as you say.

Baker: He did start talking to the Soviets in Reykjavik, where he—

Young: Well, that was after Gorbachev.

Baker: That's correct.

Young: So that was a breakthrough.

Baker: Well, there was never any pursuit of dialogue with the Soviets before Gorbachev got there. There was never any effort to sit down with Brezhnev or Andropov or any of these people.

Young: But at the foreign minister level, I understood that it was—

Baker: Well, you had ministerial talks that were very formal. They were still going on when I became Secretary of State in '89. We broke the mold. We took the Soviets out to Wyoming. They'd never been more than 25 miles from the UN or their embassy in Washington, because we wouldn't let them go. We changed that. But there was never an effort in the Reagan administration to have a summit, that I'm aware of, with Brezhnev or Andropov—certainly not to conduct arms control negotiations at the level of heads of state, heads of government. Now, the foreign ministers talked arms control, but they never signed any treaty that I'm aware of. We did that in the Bush administration.

Knott: I think there were reports about President Reagan's attitude toward nuclear weapons, that he had almost a religious aversion to them. And some have even reported that he would occasionally refer to Armageddon and so forth. Did you ever see any or hear any of that?

Baker: I think that's probably true. He used to refer to it occasionally. And I think it formed the basis of his view that a nuclear war could never be fought, his view that we ought to get rid of all

the nuclear weapons. And yet he resisted the entreaties of Patti Davis and Helen Caldicott, whom Patti brought into the Oval Office, to talk about unilateral disarmament.

Knott: The nuclear freeze movement?

Baker: Yes. Helen Caldicott was a big buddy of Patti. Patti got her father to see Helen. And he very calmly and rationally explained to her why we couldn't unilaterally disarm.

Knott: One of the stories about President Reagan that circulates in some quarters is that he had a certain ignorance about nuclear weapons and, at one time, supposedly thought that they could be called back, that ICBMs [Intercontinental Ballistic Missiles] could be called back.

Baker: I heard the story.

Knott: Yes. You never saw any indication of that?

Baker: No. I don't see how that could be true. I wouldn't think that would be true.

Young: He knew what he was doing.

Baker: He damn well knew what he was doing. You're darn right he did.

Young: But not always everybody around him knew what he was doing. Would that be a fair statement?

Baker: Well, I don't know whether that would apply to anything except maybe Reykjavik. I think that came as a surprise to people that he'd view that as Armageddon. But then again, I was at Treasury then.

Knott: Did the speechwriting operation report to you, as Chief of Staff?

Baker: Yes. Yes.

Knott: And so you would personally review the major addresses or—?

Baker: The major ones I would review. They would all go through the staff secretary's office. Darman's communications people would review them. First it was Gergen, then it was [Larry] Speakes. Everybody got a shot at them. We'd bring the speechwriters in to sit down with the President, and he would tell them what he wanted to say. He would interface with them before they'd write a speech. Ben Elliot was one of our writers, Peggy Noonan. Darman hired Noonan.

Knott: He did?

Baker: Yes, he found Noonan working for CBS.

Knott: You bet. Do you recall the Evil Empire speech and the controversy around it?

Baker: Yes. And he was right, wasn't he? Everybody went "tsk, tsk, tsk." They said he didn't understand how you do statesmanship and diplomacy. But he was right. Yes, they went after him. But he was right. And then we gave him a surprise birthday party on his first birthday, after we came in in '81. February 6, he turned 70, February 6, 1981. He'd never been anywhere in the West Wing except in the Oval Office, having only been there for two weeks. We put together a surprise birthday party in my office.

I went in and said, "Mr. President, we've got some folks down here we want you to meet. They're down in my office, which is not too far from yours. Why don't we go on down there if you're up to it? It'll only take five minutes." He said, "Well, that's all right." So we go down.

And we throw open the door, and everybody's in there with balloons, and everybody said, "Happy birthday, Mr. President!" and sang happy birthday to him. And he stops, and he looks around, and he says, "My goodness! Well, this is a wonderful surprise. Jim, this is a beautiful office. It's big! But it isn't round." [laughter] That's the first time he'd been down the West Wing hall outside of the Oval Office.

He always had a ready quip for anything. What a lovely person, and a really beautiful person to work for. Every time anybody would attack me—the right-wingers or whoever it might be—he was right there. Boy, he'd knock them down hard. He didn't have to do that. But he was just a lovely, lovely person. I've already mentioned loyalty up, loyalty down. That was one of the most important things about him.

Young: True also of Bush.

Baker: Very true of Bush 1, absolutely.

Knott: When the '84 election approached, there was an incident in December of '82, where Lyn Nofziger attempted to arrange a group of people to come together to begin planning the '84 campaign. I believe you were excluded from this meeting.

Baker: Where was it? I don't recall that.

Knott: In Washington, in December of '82. This was reported in the *Washington Post*.

Baker: December of '82?

Young: He was already starting the '84 campaign.

Knott: The *Post* reported that Nofziger sent a letter to Reagan officials to arrange a meeting to initiate the '84 campaign. He wants to ensure that the campaign will be Reagan-Bush, and not Bush-Reagan.

Baker: Oh, sure. He was always doing that kind of stuff. Let me tell you something else about Lyn. I'm the guy who brought Lyn into the White House. Are you familiar with that? Well, the Californians didn't want him. You can check with any one of them, Meese, Deaver, whoever. And I said, "Wait. This would be a very good thing, for us to have Lyn in here. He would be very good for the hardliners over here and the longtime Reaganauts who want to make sure we let Reagan be Reagan." I say that facetiously.

So we bring him in and make him political director. And he leaves after a year. He wasn't satisfied, I guess, with his access or with whatever. Maybe not satisfied going up through me. But anyway, he leaves. And we made Ed Rollins, his deputy, his successor. Lyn came to me and said, "This would be the best guy." So I said, "OK."

Then this '84 campaign rolls around. (Ed Rollins, ever since the '84 campaign, has been all over the country and all over every television network in the country, saying he ran the '84 election for Ronald Reagan, the reelection. And nothing could be further from the truth.) We took Rollins and sent him over to the campaign and gave him the title "campaign manager," to sort of get him out of the way, and he became a talking head, which is what he's doing now.

We ran that campaign right out of the Chief of Staff's office, which was perfectly appropriate and legal, and the best way to make sure it was well-coordinated and effectively run. But Lyn was always doing stuff like this. He never misses an opportunity to say something ugly, either about me or particularly about 41. And he just has this terrible burr under his saddle, the

campaign would be a Reagan-Bush campaign, not a Bush-Reagan campaign. "Baker and Deaver instructed administration officials not to attend the meeting." I don't specifically remember that, but I wouldn't be surprised.

Young: [laughs] So that was a false start getting the 1984 campaign organized. It was the Reaganauts, I take it, trying to make sure that you didn't snatch victory from the jaws of defeat.
Baker: Or vice versa. But it shouldn't have taken a crystal ball to know that that would not have been a successful effort.

Young: Yes. Yes.

Baker: It's fairly important to have the President on board, if you're going to head up his reelection.

Young: Well, I just took that note to be an indication of flak that you and the so-called pragmatists were getting from the true believers in the administration.

Baker: That's right. And there was a guy here in Houston named Clymer Wright, who wrote a letter.

Knott: We've got it in here somewhere.

Baker: President Reagan wrote him a letter back. He said, "Hey! Cool your jets, pal. This guy's serving me very well, doing exactly what *I* want done."

Young: Yes, he said that.

Baker: "And stop criticizing him." Clymer Wright was a nut then. Still is, I think.

[laughter]

Knott: As somebody who has managed a number of campaigns, is there a problem when you go into a year like '84, and your guy's really out front, way out in front in the polls? What are the dangers that you have to watch for?

Baker: Well, the problem in motivating your people. You don't want your people to think it's so in the bag that you can sit at home. As I said before, you need to always exceed expectations in politics. I never will forget in '82, in the aftermath of the terrible economy we'd inherited and the fact that people were blaming Reaganomics, I went out a couple of times to lowball what we might expect to do in the midterm election.

One who did that, and from the backbenches, was a freshman Republican Congressman named Newt Gingrich. He just criticized me up one side and down the other. He said, "It's defeatism when you do that." They were out there saying we're going to take control of the House. Well, nothing would have been worse than to have that be the expectation. I can understand how the House members might not have wanted us to say, "It's going to be a tough year." But from the standpoint of the President, it was the right approach to take.

Knott: You touched on this before when you mentioned the debate, the President's poor performance in that debate with Mondale. Was part of that perhaps attributable to a sense on his part that the thing was in the bag, do you think?

Baker: I can't answer that because I don't know what was in the back of his mind. But he did say he didn't do his homework. And he didn't. Otherwise, he would have finished his close in time. He was left up on the highway on his way to the shining city on the hill. For the second

time, the moderator said, "I'm very sorry, Mr. President, but your time is up." He'd already said it one time. The President was chagrined because he's a good performer, you know.

But it didn't make any difference. That's one of the most overwhelming victories that we've ever seen in Presidential politics. And we came within four or five thousand votes of winning Minnesota. We went in there on the last day in a burst of arrogance, trying to take Mondale's home state away from him.

Chidester: This was your first campaign with Reagan from beginning to end. How was he as a campaigner, in general?

Baker: He was terrific.

Knott: Did he enjoy it?

Baker: Damn near knocked off an incumbent President. Loved campaigning. Terrific with people. And, of course, nobody's better on the tube. He loved it. He enjoyed it.

Chidester: How about as a politician? It's a much different thing, campaigning and being a politician. Some people have said that Reagan wasn't the kind of person who generally liked working a room. Did you notice that?

Baker: No. I would say that about Richard Nixon, who was sort of reserved and nervous around small groups of people. But not Reagan, no. Reagan was so comfortable in his own skin. I never saw him ill at ease in a campaign situation. He got a lot of flak for using the 3-by-5 cards. He felt more comfortable with those. In a Cabinet meeting, for instance, where they were talking about a fairly detailed policy issue or something, he would use his cards. He just felt more comfortable with them. You know, in giving speeches from a podium, he would use a text, or a teleprompter. But whether he used that or not, he was so good at speaking and reaching people, communicating. He was terrific.

Young: Even his use of the cards, in his campaign for Governor, was masterful. He had his own code, as you know, or shorthand. And he could edit the same lines in different versions of the speech and—

Baker: To this day, I never give a speech that I don't draw a line through each sentence. Not through each sentence, but that I segregate each sentence in the text. I learned that from him, and I do it to this day. Started doing it in 1981, when I'd have to go out and make a speech, and I've been doing it for—What is it?—25 years. Just draw those lines. Each sentence stands on its own.

Knott: There was some criticism after the fact of the '84 campaign, that it was somewhat devoid of policy proposals or issues. It was a "morning in America," somewhat bland message, according to critics. Any comments?

Baker: Yes, that's baloney. You hear that a lot. I mean, again, five campaigns I've been in, and I've seen a lot of that. It's the typical press thumb-sucking.

Young: Part of the noise.

Baker: It's part of the press's thumb-sucking approach. If they don't like who won or the way they won, then they say there's no mandate. Right? No mandate. No. Of course there was no mandate. All we did was get fundamental tax reform for the first time in 100 years, as a consequence of that election. That's absurd. I mean, we had tax reform in that campaign.

Knott: Yes, right.

Baker: Yes, sure it was morning in America. There's nothing wrong with making the voters feel good. There's nothing wrong with winning, except to the people who didn't want you to win. And then they say, "Hah, they won. But it wasn't a mandate."

Young: What was Reagan's take on the press?

Baker: He thought that they were decidedly liberal. At the end of every Presidential election cycle, they retreat up to Harvard or wherever they go, and they have a seminar, and they're 83 to 17 percent liberal. They admit it! And they're Democratic. So that was his take, and that's my take after all the Presidential politics I've done. I said it. I'll say it one more time. With Reagan, they hated his policies, but they couldn't dislike him as a person. And so I really felt we got reasonably decent treatment from the press. I think 41 got tougher treatment, at least in the election cycle, because we'd been there for 12 years and the press were tired of us. We had very negative press.

President Reagan felt that the majority of the press were liberal, more liberal than he was and more Democratic. I think he was right.

Knott: Did he enjoy the press conferences that he'd hold, or were those sort of burdens for him?

Baker: Well, he held quite a few. He was pretty good at it. I already gave you the anecdote about Sam Donaldson. But he would do his homework. We'd do a mock review board before each press conference. I don't remember him griping about press conferences.

Young: The Press Secretary's office was not under your jurisdiction?

Baker: Yes it was. All communications, all Congress, all public liaison, all political, all press. You can look on that list.

Young: Yes. Right. Jim Brady, how would he have figured in the administration if he'd been able to take part? He was included in your own plans for your own area.

Baker: Oh, yes, sure. In fact, he came to my side of the house's staff meetings. I would conduct a general staff meeting every day too, in the Roosevelt Room. But first we might have a meeting with elements under me, and Meese would have a meeting of the elements under him. And then we'd have the general staff meeting, and Brady was the Press Secretary, and we never took the title away from him in eight years. He was the Press Secretary.

That was such a tragedy. He'd been with [John] Connally in the primaries and joined the Reagan campaign, then was made Press Secretary. I brought Speakes in to be his deputy. And then Speakes became, in effect, number one, but never got the title.

Speakes and Gergen never got along very well. Gergen was the Communications Director. Gergen has a good feel for a lot of this stuff too, but of course since that time—He only lasted two years, I think, and then he went to work for Clinton. You see him as a commentator on a lot of stuff.

Chidester: You mentioned that Reagan had a clear agenda for the second term. Was there that one issue or two issues that he was deeply committed to accomplishing by the time he left office?

Baker: In the second term? Tax reform was his number-one domestic issue. Staying the course

with the Soviet Union was, I guess, his number-one foreign policy issue.

Chidester: So you never felt any pressure like, "I have to complete some arms control agreement before I leave office"?

Baker: I think they really wanted to complete them. I know Nancy did. She encouraged it. Did you talk to Shultz? You've asked Shultz that question. He's a better source for that than I am. I was Treasury Secretary, and we were dealing with tax reform. We got it.

Knott: Perhaps this is a good time, then, to make the transition to the Treasury Department.

Baker: Go to Treasury. Do you remember when he said, in the State of the Union, after that deal was done, and he started talking about "Treasury Secretary Jim Baker"? He said, "I'm going to have to get used to that." Do you remember that comment?

Young: Yes.

Baker: You know, people say, "Was that a natural transition for you?" I'd been a business lawyer in Houston for 20 years before I ever got into politics. I'd done an awful lot of corporate and real estate and particularly banking law, and tax stuff. So it was pretty much a natural. What I had to learn was exchange rate policy. I didn't know much about that.

We did, I guess, three things at Treasury that I think were really very important. Fundamental tax reform in '86, which has lasted to this day, except they keep bringing back some of the loopholes we closed and raising the rate, and they're going in the wrong direction. But that was a real accomplishment. That was his number-one domestic policy goal in the second term. The Plaza Agreement, in '85, was a fairly historic event. The significance of it was not so much that we changed the value of the dollar, secretly, against all other currencies, in a way that didn't roil the markets. It's that by doing so we defeated all the protectionist measures that were building up in the Democratic Congress, which could have been legislated and cut off the economic recovery. And it was the only tool we had, because we weren't going to grant the protectionism.

One thing I admired so much about President Reagan, when I was Treasury Secretary, was that every major automobile manufacturing CEO in the country came in, pounding on my desk, saying, "The Japanese are eating us up. You've got to give us some help. You've got to protect us." President Reagan said no. This was hard to do, politically. He said, "No, we're not. You're going to downsize and streamline and get competitive."

And guess what? They did. And now we're the most competitive, efficient, effective automobile industry in the world. We're killing everybody in it. Or at least we were. I think we still are. So you had tax reform, you had the Plaza, and then we had the multilateral coordination process, whereby we would meet and try to form our economic policy so as to promote stability in exchange markets and increase global growth. We were effective in doing that. For some reason, it sort of languished in the Bush administration that came along next. I don't think Nick Brady was particularly interested in it or—And I know that David Mulford, who was the Assistant Secretary of International Affairs under me, was not enthusiastic about it when I was doing it. But he had to do it because he worked for me. I think maybe he convinced Brady it was something to walk away from.

We did the Plaza Agreement with the knowledge only of me and Dick Darman—who was my deputy treasurer—and Don Regan and Ronald Reagan. Those were the only people who knew about the Plaza. We did it over a Sunday night, a secret meeting in the Plaza Hotel in New York.

We got all these finance ministers and central bank governors from the G5 countries, including Japan, to come over here. And we adjusted the currency. It was a huge event and very good in terms of our being able to forestall all these protectionist tendencies that were building up in the economies. We had a dollar that was extraordinarily overvalued at the time. Paul Volcker was with us on it. He knew about it.

Young: How did you do it so quickly?

Baker: Got on the telephone with these guys. Look, I'm going to tell you something. Serving in any of these high-level posts, if you're close to the President, you're going to be more effective and more efficient because everybody will think that you have the President's support, even if you don't have it. They'll think you're extraordinarily close whether you're extraordinarily close or not.

I was the President's Chief of Staff, so I could be an effective Treasury Secretary. Nobody was going to get between me and the President. I was President Bush's close political friend and his political advisor, so as Secretary of State, nobody was going to muck around in my sandbox. That's what you need in order to be an effective Secretary of State, particularly because everybody wants a piece of the foreign policy turf, everybody in Washington. So it's a great advantage.

We were able to get it done in Treasury because I could pick up the phone and call President Reagan, having been his Chief of Staff for four years. If we had tried to run that through the interagency process, we never would have gotten it done.

Young: That's almost in the nature of what you're trying to do.

Knott: Did you ever change some of the folks that Don Regan had put in place at Treasury, or did you essentially bring in your own?

Baker: Well, I brought Darman with me as deputy. I brought Margaret Tutwiler as the communications Assistant Secretary. I think that was pretty much it. Maybe John Rogers stayed with me for a little while. I think Beryl Sprinkel stayed as the Under Secretary. He was very much against this idea of dealing with the dollar. You've just got to let it reach its own level. There was a guy named Paul Craig Roberts who had been very critical of me going all the way back to the Chief of Staff days, when I don't think he got as many meetings in the White House as he would like to have had. He's still gnawing on that bone. He'd been at Treasury. I don't know where he went. There was a guy named Steve Entin, who's still there. Worked loyally for me, the best I can tell.

Knott: Did Don Regan retain an interest in what was going at the Treasury after he made the move?

Baker: Not really. I made sure he was on board with what I was doing. You wouldn't want the Chief of Staff ever going in and arguing with the President against the ex-Chief of Staff. So the only people I let in on it were the people I needed in Treasury, which were Darman and Volcker, the Federal Reserve. And Regan and Reagan. I know that the Secretary of State wasn't particularly enamored of it because he didn't know about it. But had he known about it, we probably never would have done it because it would have leaked out of State.

Chidester: As you were changing places with Secretary Regan, what kind of discussions did you have with him either over his role as Secretary or as Chief of Staff or your role as the Secretary

of the Treasury?

Baker: You mean before we did the deal?

Knott: Yes.

Baker: Well, as I told you earlier, we sat down together with President Reagan and Deaver, having already had the issue run by Nancy Reagan, who approved of it. President Reagan was very enthusiastic about it because of his relationship with Regan. Did I answer your question?

Knott: Well, you know, it just seems like this letter here: "The inner workings of the troika system played a unique role inside the West Wing."

Baker: Well, that was a different deal. Treasury Secretary's one thing. Chief of Staff of the White House is something entirely different, and everybody's responsibilities and obligations are fairly well known.

Knott: I was just curious if he had any discussions with you about how, possibly, to run the White House or—

Baker: Oh, sure! We talked about it, but he had his own ideas. I remember when he said, "I'm frankly amazed at the amount of time Jim Baker spent with the press. I'm not going to spend that much time. But what time I do spend, I'm going to spend on the record."

That was a fundamental mistake. The Chief of Staff should spend a ton of time with the press, backgrounding them and explaining to them what the administration's position is and what the President's trying to accomplish, but he shouldn't do it with his name in the paper. That's not the function of the Chief of Staff. He wasn't elected. Nobody wants to see the Chief of Staff. But it's important for the administration to get their message out there.

The guys I talked to before I took that job as Chief of Staff were Dick Cheney, Rumsfeld, Jack Watson, Bryce, and a number of other people who had been Chiefs of Staff in other administrations. Every one of them said one of the most important things you can do is be available to the press, but always on a background basis, so that they understand what the administration's position is.

Young: The politically adversarial nature of much of the press—the liberal press, if you will—did not impede, in your case, the need to bring them along in terms of understanding—

Baker: The more adversarial they were, the more important it is to be available to talk to them and grant them some access. When you cut them off from access, that's when they're going to write whatever they want to write. You don't ever get a chance to get your story out. But you need to do that on the background, when you're in the Chief of Staff's position. It's one thing when you're a principal, you're Treasury Secretary. You speak on the record. When you're Secretary of State, you speak on the record. When you're Governor of New Hampshire, you speak on the record. But when you're Chief of Staff, you're staff!

Young: Yes.

Knott: You consider the '86 tax reform your proudest accomplishment as Treasury Secretary. Is that a fair statement?

Baker: Probably, yes, because nobody thought we could do it.

Knott: How did it come about? How much time did you actually spend with Dan Rostenkowski

and people like that?

Baker: We spent a lot of time. The players who come to mind are Danny, Bob Packwood, and Bill Bradley. This was truly bipartisan. In fact, we did this over the objections of some of our strongest Republican supporters. Dick Cheney and Trent Lott came to see me and said, "We're going to fight you on this." I said, "Have at it, fellas. We'll see you when the votes are counted." And we beat them. Because what we were doing was reducing the top marginal rate even further, to 28 percent. And to do that, we had to eliminate all sorts of deductions—double declining balance. The real estate industry was up in arms. The depletion allowance was reduced. We were just cutting into a lot of our constituent groups. But we were creating the conditions for greater overall economic growth by reducing that top marginal rate from 50 percent. When we first came into office, we got it from 70 to 50. We were taking it down to 28. But we had to beat our Republicans to do it. We did it with Democratic votes.

Young: You mentioned something just now, there are a lot of negatives you get in the process of tax reform—depletion allowance and all those things. What's the constituency that is taking some sacrifices now in order to get growth going? Do you have a constituency for that?

Baker: Yes.

Young: And, I guess, all the special constituencies that say, don't do this, don't do this, don't do this.

Baker: Well, the constituency was the vast majority of the American people who were going to be benefited by having their top marginal rate reduced from 50 percent to 28 percent. We were able to put together a coalition in Congress that would support that. As I said, many of our votes came from the Democratic side. The left-wing Democrats were interested in getting rid of these special-interest deductions, many of which went to some of our strongest supporters. We played on that.

You know, we took six million Americans off the tax rolls. We got a lot of Democratic votes for doing that. Low-income America. We lost a lot of people in the oil and gas and construction industries, and particularly in the real estate industry. But we were able to fashion a majority vote in both houses. We got it done. The President signed it. It was a huge accomplishment. Only time in 100 years it's happened. And then they immediately started unraveling it.

I guess I'd have to say first you had the Bush tax increase and the budget deal with [George] Mitchell that cost him so much politically because of "Read my lips, no new taxes." That ooched it up a little bit. Then the self-employment taxes moved up. Then Clinton comes in in '93, and he bumps the rate again. And the rates then begin to get up to 43, 44 percent, so they started putting loopholes back in.

Young: Will it always be that way?

Baker: It probably will, given the political system. But inch by inch, they're undoing the '86 tax reform. That's why it was so hard to do it in the first place.

Young: And it had to be a bipartisan effort.

Baker: If it wasn't bipartisan, it never would have been done. President Reagan knew how important it was for the economic health of the country. And it was. And, for a while there, it really produced.

Chidester: How deeply involved was he in negotiations on the details of the actual package, the actual reforms?

Baker: Well, we had to take everything over to him to sign off on. Regan, as Treasury Secretary, had crafted something called Treasury I. When I got over there, I said, "We're going to take a new look at this, and we're going to come out with Treasury II. We're going to look at it primarily from the standpoint of whether we think we can get it passed." Doesn't do any good to create a wonderful policy option if you can't implement it, right?

So we came up with Treasury II. And in coming up with Treasury II, I must say, Don worked with us really well. He didn't have any pride of authorship. When I would go over there, we'd sit down in the Oval Office with the President, and I'd say, "Now, we need to get rid of this," or "We need to add this or modify this so as to be able to cobble together our political coalition to get it passed." And we really didn't have a whole lot of trouble.

Rostenkowski simply refused to do state and local taxes, as I recollect. He refused to eliminate that deduction, which we really wanted eliminated. It picked up a lot of revenue. That was one thing we didn't get. I'm trying to remember something that President Reagan insisted we keep. There were one or two things, but I can't remember what they were. Anyway, Don and I worked very well together on that. If we hadn't been able to, we would never have gotten it passed.

Knott: You also began to lay the groundwork for what would become the NAFTA [North American Free Trade] agreement.

Baker: Yes, we did. Was Carla Hills the STR [special trade representative] then, or was [William] Brock?

Knott: It was Brock.

Baker: No, the groundwork was laid with the Canadian Free Trade Agreement. That was another significant accomplishment that I'm proud of at Treasury. I didn't mention that, but I should have. That was the forerunner of NAFTA. And there was a time there, we had a certain deadline for getting it done. It was being negotiated by [Clayton] Yeutter over at STR. He and the Canadian trade minister were at loggerheads, and they weren't going to make it.

Brian Mulroney picked up the phone and called President Reagan and suggested that he put me in charge of that. I'd known Brian as Chief of Staff, and he knew I was close to the President. And the President did. He called me and said, "Would you take the lead on this? Try to see if we can get this done." Brian gave the lead to his Chief of Staff, a guy named Derrick Burney, and took it out of the hands of his trade minister. So Derrick Burney and Michael Wilson, on the Canadian side, and Yeutter and I on our side, through some long-night negotiating sessions finally got agreement on the U.S.-Canada Free Trade Agreement. That was the forerunner of NAFTA. Thank you for reminding me.

Then when we got to the Bush administration, Carla was not particularly turned on to the idea of NAFTA because she was dealing with the Uruguay round, and she thought that was going to have to take all of her time and attention. I was very strongly in favor of NAFTA and lobbied the President. At that time, I was Secretary of State, and Brady was Treasury Secretary. He was in favor of NAFTA. I was in favor of NAFTA. President Bush said, "Yes, we're going to try to do NAFTA." We didn't have to push the administration. I was not involved in the day-to-day negotiation of NAFTA but just in getting the President to agree to push it.

I was actually involved in the specifics of that Canada-U.S. Free Trade Agreement. And that's turned into a very good agreement, particularly for Canada. For us too, but it's just that we represent so much bigger percentage of their trade than they do of ours. Canada is our biggest trading partner.

Knott: You also spent a considerable amount of time, I think, trying to get the Japanese to open up their markets to American goods.

Baker: Yes, but I was frustrated with that.

Knott: I can imagine.

Baker: That's another reason it was good to take on their currency. Their currency was artificially low. When we did the Plaza, we could get 247 yen to the dollar. We got it to the point that it went down to about 120, and right now it's about 120. We kept after the Japanese—and every administration before and since has kept after the Japanese—to open up their system. They've never been willing to do it because their economy is almost entirely export-driven. And when they got into all that trouble—and they've been in the tank for ten years up until this last year, they're beginning to climb out—I used to say, and tell them to their face, that the mercantilist chickens had come home to roost. And they have, because you can't build an economy just on export growth. You have to have domestic growth as well. But we worked on it. We worked on them and the other Asian countries on their currencies: Taiwan, Singapore, Thailand. The tigers, the Asian tigers.

Knott: You mentioned the free trade agreement with Canada. Reagan had a special relationship with Mulroney. I was wondering if you could offer any more insight on that.

Baker: It was a really, really close relationship. They were both Irishmen. It was really sort of father-son because Reagan was so much older than Brian. It was a good relationship. Our relationship with Canada has never been the same since the crushing defeat of the Conservative Party, but we had a wonderful relationship with Canada back in those days, and in the Bush years. Because Brian and George Bush were friends, and still are.

Knott: The stock market crashed in October, 1987.

Baker: I'll tell you a funny story about that. I never did a boondoggle the four years that I was Chief of Staff, nor the first two years I was Treasury Secretary. But one day, the King of Sweden asked me to come over and go hunting—I love to hunt—inviting me to hunt with him what they call elk. It's what we call moose. The invitation was extended by his Finance Minister. I said I would love to do that.

So I flew to Stockholm on 17, 18, or 19 October. I arrive in Stockholm. I get off the plane. I'm met at the steps by the Finance Minister of Sweden, who's as white as a sheet. He looks at me, and he says, "The stock market dropped five today." I said, "Well, so the stock market dropped five." He meant 500 points. When I understood the significance of what he was telling me, I went to the hotel and got on the phone to the finance ministers of Germany, Japan, Britain, and France—in those days, we were the G5. We hadn't quite expanded it to the G7.

We talked all night about what needed to be done. I got on the phone with the Federal Reserve. I talked to Alan Greenspan. He'd gone to Dallas to make a speech, got off the plane, somebody told him the market fell five, and he had the same misinterpretation I did. Anyway, we talked on the phone. The next morning, I caught a plane from Stockholm to London, got on the Concorde,

flew back to Washington. Never did see the King of Sweden, and never did anything except spend a lot of time on the phone.

But we handled that really well. And when I say "we," I give a lot of credit to Greenspan, who was a brand new Fed Chairman we had appointed on my recommendation to the President, to replace Volcker. It was hard to replace Volcker, but it was time. This President was entitled to have his own Fed Chairman. He was into his second term, and it was time. Alan had just been in office for a couple weeks, I think, when all this happened.

We had a meeting in my office at the Treasury. Howard Baker, who by then was Chief of Staff at the White House, came over. And we had John Phelan, with the New York Stock Exchange, on the phone. We pumped liquidity in, and everything ended up turning out all right. But it was a pretty scary time, a really hairy time.

Young: You didn't get your elk, either.

Baker: Of course not. I never got to hunt at all. My one boondoggle, and I never even go to do it.

[BREAK]

Knott: I thought I'd start off asking you about the circumstances that led to you leaving the Treasury to go over and run the Bush campaign. And if you could also specifically talk about President Reagan's role in the '88 election, that would be terrific.

Baker: Sometime during the early summer of '88, the Vice President came to me, and he said, "You know, I've got these six fellas over there heading up the campaign, and it doesn't work really well. You've run all my campaigns, and I sure hope you're going to be available to do it." I said, "Well, I'm perfectly happy to do that and willing to do that, but it needs to be something the President approves. I feel certain he will." So the Vice President said, "Well, good. Why don't you talk to him about it?" And I did. I went in to see him. But I was really sort of surprised because the President said, "Well, Jim, it seems to me you might be able to do George more good if you kept the economy in check than you would if you left and went over there to run the campaign." And I said, "Well, I'm not sure that's the way he feels about it, Mr. President, but I'll tell him that's what you said."

So I went back to the Vice President. I said, "If you want this to happen, you better get prepared to talk to the President about it because he didn't exactly jump on it like a duck on a June bug when I raised the question." So the Vice President spoke to him about it, and he got the same sort of response: "Well, George, it seems to me maybe Jim might do you the better job if he stayed here and kept the economy in check." But the President said, "I'm happy to further consider it and think about it."

So one day we went up—I don't know what led to it—we went up to the residence, and the four of us, the President and Nancy and George, the Vice President, me, we sat there and we kicked it around. The Vice President said, "I really need him. I really need to get him over there. I'm working with six people with no one authoritative head. He's run all my campaigns." They said, "Well, if that's what you want, George, then that's what we'll do." The President said, "Who would you suggest as your successor?" I suggested Brady, and he went ahead with that

appointment. I left sometime, I think, in August. It was announced, and I went over, and we were, at that time, 20-plus points behind. But I felt duty-bound to do it, and it was the right thing for me to do. As you know, we ended up winning a fairly major victory. We won all but ten states in the final analysis.

The President helped us. I think the Vice President would have preferred to see the President come out a little sooner than he did, in terms of public support, speeches. But we got what we needed from President Reagan, and we got it wholeheartedly and enthusiastically. I've never been one who believed that there was ever any difficulty or problem [*raps table*] between President Reagan and Vice President Bush. I think they got along very well. President Reagan wanted Vice President Bush to win. I think he saw it as important to his legacy that he win. And he was very helpful to us in the campaign, not perhaps as quickly as we would have liked. I don't know whether there were any elements on the White House staff, at the time, to pull him back on that. I've never been able to really figure that out.

Young: I think it's likely there probably were, but there's nothing specific about that. Their relationship as President and Vice President was, it looks like, of the best.

Baker: It really was. And so was their personal relationship. They liked each other. President Reagan appreciated the job President Bush did for him. As I said to you earlier, Vice President Bush was the perfect Vice President to President Reagan. They became close. Not necessarily true for the other halves, but it certainly was true for the Vice President and the President.

Knott: As we're taping this history, this is a week or so after President Reagan's death. And part of the reason we conduct these oral histories is to provide future generations a record of these Presidencies. I'm wondering if there are certain misunderstandings or misconceptions about Ronald Reagan out there that you would particularly like to correct.

Baker: Well, I've spent the better part of the day correcting misinterpretations. I'd invite you to go read the record. I have. I've talked about all those things: the idea that he was manipulated by staff, the idea that he was a dumb actor, shoot-from-the-hip cowboy. We've talked about all—

Young: You've talked about all those things. Here's another way of putting it. A lot of people are going to be looking at the records, looking at your papers, looking at the President's papers—So, rather than just correct the record, I think it might be very helpful if you could talk about the things you think people who are studying this Presidency and its time in history ought to pay particular attention to, besides his obvious accomplishments. They want to try to understand this President. Are there things to which you'd like to point the direction of future historians?

Baker: Well, I think I've done that, to some extent. I've talked about the fact that he wrote his own letters, he wrote his own speeches. He had this uncanny ability to make people feel good. He refereed the most divisive Cabinet discussions and debates in a way that the loser never felt put upon. He never felt that he'd been mistreated.

All of those things—the record of accomplishment in laying the foundation for the end of the Cold War and restoring America's pride and confidence in itself and bringing back the economy, in a terrific way, in a wonderful way. I don't know of anything else. If you ask me specific questions, I'll respond to them.

Young: Ordinarily as we wrap up a session like this, we say, as you're looking back, is there anything we missed that you would like to point out? Because we can't do the whole full-dress story here.

Baker: No, I don't think so.

Young: It's your opportunity to put in anything that you think our questions have missed.

Baker: I think you've covered it pretty well.

Young: OK.

Baker: We've talked about how he was miscast, how he was underestimated, how many people, particularly in the elite circles, misread him. They didn't understand him. They still don't understand the secrets of his success. They denigrated him to the point that he was a dunce manipulated by his staff and didn't know anything about the job, slept in Cabinet meetings. Well, we've talked about all that, and it's all wrong.

Knott: Over this last break, we were laughing again about the story you mentioned about the surprise birthday party in your office for President Reagan. A lot of times, these are insights into who Ronald Reagan was rather than President Reagan. They also tell us more about Reagan than specific policy issues. Are there any other stories that come to mind that might tell us something about Reagan?

Baker: Well, you're familiar with the story I told you about "I was a Democrat for two years." You're familiar with "But it isn't round." You're familiar with the Tutu story. Those are the funny ones. We used to tell jokes every morning at 9:00. The President would oftentimes have a story he would tell. He was a wonderful storyteller. And he sort of expected us to reciprocate. We'd go to great lengths to get new material for those 9:00 meetings. But I can't remember all of them.

Young: We've heard about that too.

Knott: There have been some reports that President Reagan was a somewhat distant person, that there was this wall between him and others.

Baker: President Reagan did not have a lot of, I don't think, really close friends. Nancy was his closest and most important friend. That's what Stu Spencer meant when he told me, "You know, you're about to embark on this job as Chief of Staff, you stay in close touch with him, you call him. He wants to hear from you." I followed that advice.

But I want to tell you, when you got in trouble, he was always there. I was really upset on the Debategate stuff, that I might be hurting this President. And I told him, "I sure don't want to be a problem for you. If there's anything you want me to do by way of stepping down or anything—" "My goodness," he said, "I wouldn't consider that. Absolutely not." That's the kind of person he was.

Knott: We heard your reaction earlier to the Edmund Morris biography. As Chief of Staff for four years—

Baker: That's one mistake Deaver made. He didn't make many. He was a darn good hand for the Reagans. But he didn't do that one right.

Chidester: Do you think there's anybody out there who's written about President Reagan who's gotten it right?

Baker: Lou Cannon's got it. Lou Cannon lived with him in California, lived with him in Washington. Take the good and the bad, I think Lou's account is pretty darn accurate. He sure

knew him.

Young: That's the judgment, the reputation of the book. It's the best.

Knott: Have you ever thought about writing about your experiences with Reagan?

Baker: Yes, a lot of people have come to me and asked me to do that. Not just about the Reagan. I wrote a book about my years as Secretary of State, and everybody says, "You know, that's great, but you've had a unique career as well in politics, and you ought to write about the five campaigns that you were at the leadership level of, whether you were chairman or a senior administrator, and about your years as Chief of Staff to the White House, your years as Treasury Secretary." I'm going to take a shot at doing that, I think, God willing and the creeks don't rise.

I'm not a particularly reflective person. Here I am still out doing stuff. I'm doing an Iraq debt mission for the current administration that required me to go to 12 capitals here a couple of months ago. For seven years, I worked on something for the UN. It wasn't successful, but I gave it a good shot. I'm more a man of action than a man of reflection. But I've had an extraordinary experience. There's nobody else who's served as Chief of Staff for two Presidents. There's nobody else who's been involved in as many Presidential campaigns as I have. I don't know of anybody else who's been Treasury Secretary, Chief of Staff, and Secretary of State. So there are a lot of things there, you know. Somebody said, "What's the secret of your success as a survivor?" I said, "I'm not really sure." He said, "By that, I mean, you worked for Ford, you worked for Reagan, you worked for Bush. And now you're the second Bush's—"

One of the things I'm most proud of is that I was asked to be Chief of Staff by someone whose election I opposed in two campaigns, because nobody can say that I was picked for political reasons. It was a heck of a compliment to me. He wouldn't have asked me if he hadn't been looking for somebody he thought was capable. They were looking for competence, not political—

Young: If it hadn't been for your early friendship with George Bush, would you have gone into politics after your failed election year?

Baker: Well, I went into politics before my failed election. My entry into politics was occasioned by a series of events, some tragic and some happy. I lost a wife to cancer in 1970, when she was 38 years old. I had been totally apolitical. I was a conservative Democrat. We were all Democrats, but we were conservatives, here in Texas. We weren't electing any Republicans in those days.

My friend George Bush came to me after her death and said, "You know, you need to do something to take your mind off your grief. How about helping me run for the Senate in Texas?" I said, "George, there are two problems with that. Number one, I don't know anything about politics. I've been apolitical. And number two, I'm a Democrat." And he said, "Well, we can take care of that latter problem." And we did. I converted. I ran his campaign in Houston, and we won 61 percent of the vote in the hometown of Lloyd Bentsen and George Bush.

Then I became the Finance Chairman of the Republican Party in Texas, at the request of the party elders. Then I did 14 counties for Nixon in the '72 election. And then I got really turned off to politics because of Watergate and the way in which Nixon betrayed himself, and I didn't do anything more until '75, when Rog Morton was moving from Interior to Congress and was looking for a deputy at Commerce. That job is usually one for a business lawyer, which is where I had been. I'm sure Bush put my name in the pot. Morton interviewed me and hired me, and

then he was moved over to be chairman of the Ford campaign. That's how I got recruited to be the delegate hunter—when Ford's delegate hunter was killed in an automobile accident.

That was the progression. And then of course after the convention, they ask you to be Chairman because Rog Morton had cancer and was not well. That was my entrance into national politics. I was running a campaign for an incumbent Republican President six years after having been a Democratic lawyer in Houston, Texas. This is way off the Ronald Reagan point, but I never will forget the morning after that election, in 1976, at 3:00 in the morning. We'd lost by 8,900 votes, and out of 81 million. (You turn 8,900 votes around in Ohio and Hawaii, Ford would have been elected in the Electoral College, and Carter wouldn't.)

At 3:00 that morning, when it became apparent that we'd lost that narrowly, I said, "Boy, is this bizarre. Five, six years ago, you were a Democratic lawyer in Texas. And now you've run a Presidential campaign for an incumbent Republican President, in what is clearly going to be the closest Presidential election of your lifetime." [laughter]

It turned out that the year 2000 made that a bum prediction.

Knott: Fifteen years now, from the time he left the White House.

Baker: From the time he left?

Knott: From the time the administration ended.

Baker: Yes, that's right. Fifteen? '89. Yes, sure.

Knott: Could you assess the administration's impact on both the Republican Party and the national debate?

Baker: I think it was huge on both. I think he's going to be seen to be one of the two, perhaps, most successful and important Presidents of the 20th century. Right now, it would seem to me if you had to rank them it would be he and Franklin Roosevelt who are going to be competing for the number-one spot. I don't know who else is in it in terms of their effect on the nation, their effect on policy, and their effect on their parties.

Franklin Roosevelt energized the Democratic Party. Ronald Reagan has energized the Republican Party, and they're still energized by him. Franklin Roosevelt changed the domestic and foreign policy debate in the United States, or changed the issues—or affected domestic and international issues tremendously. And Ronald Reagan did the same thing, unless I'm missing something.

Young: What was his impact on the Democratic Party?

Baker: Who, Reagan? Well, he brought us power in the Senate. When he was elected in 1980, nobody expected that. But we have since been able to achieve a majority in both houses for the first time since Ike in '52. You know, Ike would be up there, too, among the top Presidents of the 20th century. But if you look for sea changes in policy and politics, you don't find them as much in the Eisenhower administration as you do in the Roosevelt and Reagan, in my view.

Young: This is a question about the strengths that we know about, the Reagan Presidency. What do you think about things he was not good at or the administration was disappointed in for whatever reason?

Baker: We've already talked about them. You talked about the dysfunction of the national

security apparatus requirement. That was, I'm sure, a disappointment to President Reagan. Again, that was one of the things that led to the 1983 effort by Mike and me to try to get control of that so that we could make it coordinated and effective.

And then we've talked about Iran-Contra. You know, I don't think President Reagan was overridden on but maybe one time, on South Africa, his veto of sanctions was overridden. That led to the Tutu/so-so meeting.

Young: But even the dysfunction of the apparatus did not prevent an astonishing record—

Baker: No it didn't. No. No, he had an astonishing record when viewed from the big picture of U.S.-Soviet relations and the Cold War. Quite right. But there were a lot of headaches from it, including Iran-Contra, that resulted from that dysfunction.

He was trusting. Ronald Reagan was trusting. Nancy was a good protector. She was not as trusting. In other words, she knew that people could have base emotions. He was guileless. He was without guile, totally. What you saw was what you got. He trusted people. When they told him something, he believed them.

Knott: And that was unusual in the world of politics?

Baker: Yes, most politicians are a bit more—It's what Harry Truman said. "If you want a friend in Washington, get a dog." Politics, it ain't beanbag. It can be a dirty business, and loyalty in politics is oftentimes hard to come by. A politician gets beat up and starts losing his public appeal or political appeal, and you watch how fast people go somewhere else. We saw it after we lost in New Hampshire in the 1980 campaign after Governor Reagan grabbed that microphone. He knew we were dead in New Hampshire. We weren't necessarily sure we were dead for the whole primary. But we lost people. People left our campaign. That's the ugly part of politics.

Young: As you say, it's trust. Bryce Harlow used to say, "Trust is the coin of the realm. Without that, you cannot be effective in Washington."

Baker: I believe that's true. One reason I got a good start in the Ford campaign, as the delegate counter, was that I never lied to the press. I would never claim a delegate that we didn't have. I never claimed a delegate that I had not gotten to either sign a piece of paper or make a press statement, publicly, that he was committed to Ford. As we ground down toward the nomination, John Sears was out there saying, "Oh, these delegates that Baker's claiming are all Trojan Horse delegates. They're going to leave."

The press never believed that. They believed us. And that is very important. The press trusted Ronald Reagan because they knew that what you saw was what you got. They trusted him. They didn't like his policies, but he'd stand up to speak, and he'd tell them that his policies were the right policies, knowing they didn't like them. He didn't try to sugarcoat it. And he didn't tell one audience one thing and another audience something else, and that was one of his strengths.

Young: This isn't specifically on Reagan's Presidency, but you've been in politics a long time.

Baker: No, I've been out since '93.

Young: Well, mentally. I'm not saying you've been a practicing politician all this time. But your career has covered a lot of terrain, a lot of years. And my career as a student of politics has covered a lot of years. And at some point, later, '80s, '90s—maybe more recently than that—I detected, just as an outside observer, a real change in the tone. I don't know whether it's

bitterness, I don't know. It's sometimes called polarization. I'm wondering what your observations are on that.

Baker: My observations are that you're absolutely right. John and I were talking about writing an op-ed. But I've got too much on my plate this week to do it. I'm yearning for the good old days when politicians could disagree agreeably, people of different political persuasions and parties could be political adversaries without being political enemies. Ronald Reagan knew how to do that. Gerry Ford knew how to do that. George H. W. Bush did it pretty well.

But politics began to get uglier and uglier in Washington after I first got up there, in '75. There were some specific reasons for that. One of them I've already talked about here was the independent counsel law, with the idea that if you could get your opponent investigated, you had a better chance of winning. So there were a lot of claims made.

And there's so much competition in the press today that people write first and check later. A public figure in the United States has no recourse under our law. Under *New York Times v. Sullivan* by the Supreme Court, you have to prove that you're maliciously being libeled and your reputation blackened before you have any kind of chance to shut somebody down who's writing falsehoods. Not so in the United Kingdom, no sir.

That contributed a lot to the deterioration, I think. The fact that the country is now more evenly divided than ever has contributed some to it. The rise of the primary system for nominations has contributed to it. No longer do we have the elders in each party getting together and deciding who their nominee's going to be. Discord sells newspapers and comity doesn't. So everything is oriented toward a more divisive approach to politics. Republicans today nominate from the fringe more often. The fringe elements are the most vigorous and perhaps most important in the nominating process, on the right in the Republican Party and on the left in the Democratic Party. And so their views are more extreme, more extreme left Democrat, more extreme right Republican. That contributes to it.

The decline of parties has been adverse to the maintenance of civility in our political discourse, in my opinion. Negative ads work. Primaries now determine nominees. So you go out and you run the most negative ad you can run, and you can see the other guy's negatives going up. So what do we expect? Now, having said all that, you're the historian. You go back and you look at politics in the mid-19th century, it was pretty tough. They used to accuse each other of being criminals and blackmailers and rapists and every other thing.

Young: Yes. [Thomas] Jefferson was the first President, really, to fill out a full term in Washington—or two terms. He said, "It's a place where one rises on the ruins of another's reputation."

Baker: That's correct. You know, unfortunately, the confirmation system has blackened many, many good reputations in this country. Very qualified people from the private sector who have an excellent reputation for character, integrity, and accomplishment go up there, and they get caught in the political debate, the political tug-of-war, and they get destroyed. Foreign Service officers who support the policy of whatever President happens to be in power—they're career Foreign Service officers. They're going to follow the party line. And then they come up for confirmation in the administration of a different party, and they're denied confirmation by some Senator who didn't like their policy position because he didn't like the President of the opposite party. It's not right, not right. Happens all the time. I saw so many good Foreign Service officers

get beat up in front of the Senate for no reason other than that they were supporting, let's say, the Carter policy or the Clinton policy or, maybe in the Clinton years, the Reagan policy or the Bush policy. It's not right.

Young: Well, Ronald Reagan's Presidency is occurring while there's this subterranean vibration of politics toward a less kind, a less gentle to an uglier—I think that's the context in which the President Reagan Presidency may—

Baker: I think you may be right. And he was able to really—

Young: —prevent it. I think it was not far enough advanced then to be the problem that it would be today. If you look at that, and then you look at the Reagan Presidency, it's an interesting juxtaposition because it did not succumb to that.

Baker: No, but you sure saw evidence of it during the Reagan Presidency. You think about [Robert] Bork. I think he was a Reagan appointee. There's a term "to get Borked" now. There was another, with Bush, Clarence Thomas, you saw that. You saw it in the confirmation hearings for Foreign Service officers who had followed the Reagan line in Latin America, you know, in support of the Contras kind of thing, and couldn't get confirmed. There were a number. But trying to think of it in the context of an electoral contest, you didn't really have it in the '84 election, maybe because it was such a blowout.

Young: I think the overwhelming affection for the President, and most of the time human trust in him—even though some of the politics were questioned—probably was very powerful.

Baker: I think it was. We've talked here about how he and Tip would go at each other hammer and tongs on issues in the leadership meetings, and then they'd sit down and have a drink and he'd even tell Irish stories. That was part of it. Although you look at this independent counsel stuff that happened on Reagan's watch, nobody was found guilty except Mike Deaver. And he was drinking at the time.

Young: That wasn't really on Iran-Contra, though.

Baker: No, it wasn't. It was his version of some event that Elizabeth Dole didn't—I took Mike out to dinner the night before he went up to testify before [John] Dingell's committee that day, and I said, "Mike, they're just getting you up there to get you on record. Then they're going to fly-speck that record and try to find a false swearing or a false statement or something." "Oh," he said, "I understand." But that was during his drinking days. Of course he recognized and acknowledged his drinking and he's been totally dry for years.

Young: We've we certainly got a clear picture from you, and a good one.

Baker: I can't think of anything more. You'll send us a transcript, right?

Knott: Absolutely. Thank you again.