

JACK KEMP
ORAL HISTORY PROJECT

Interview with
Sec. JAMES A. "JIM" BAKER III
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Interviewer
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Morton Kondracke: This is a Jack Kemp oral history project interview with former Secretary of State and former Treasury Secretary James Baker. We're at the Baker Institute for Public Policy at Rice University in Houston. Today is March 13, 2013 and I'm Morton Kondracke. Thanks so much for doing this. When you think about Jack Kemp, what immediately comes to mind?

James A. Baker: Well, I think about Jack's drive. He was always optimistic it seems to me, he was always positive, sometimes overly so. I mean sometimes not too realistic in my view, but a terrific guy, and a good friend, and a guy that came down here to Texas when I made the only race I ever made in my life for elected office, attorney general, and he came down and campaigned for me. Now why did he do that? Well, he probably did it because I had run the [Gerald R. "Jerry"] Ford [Jr.] campaign against [James E. "Jimmy"] Carter and was probably the only Republican alive who had run a presidential campaign and not gone to jail. [laughter]

Kondracke: That was what year?

Baker: Seventy-eight. That was after the '76 Ford-Carter race. I saw a lot of Jack and had a lot of interaction with Jack through the years, some positive, some not so positive. But he was a friend, and he considered me a friend and I considered him a friend. Joanne [Kemp] and Susan [Baker] were the very best of friends and still are today. They're very close. Susan in fact not too long ago went up to Washington just to visit with and be with Joanne.

Kondracke: So what were your most memorable interactions, positive, negative, as many as you like? Whatever pops to your mind.

Baker: I mentioned the fact that he came down here and didn't have to, came down and campaigned for me in a below the top line race for statewide office in Texas. I don't remember much about Jack in the '76 campaign. I understand that he was a Ford guy against [Ronald W.] Reagan in '76.

Kondracke: I've read that. I cannot find any evidence of that. I mean he tried to sell Reagan at the '76 convention on what was going to become Kemp-Roth [Economic Recovery Act of 1981], and the deal never went through, so I'm not sure what he did in '76.

Baker: Have you talked to Craig Shirley?

Kondracke: I know that's in his book. I saw that in his book.

Baker: All I'm saying is I think he might have some recollections that I wouldn't necessarily have about Jack, because he really did a lot of research and a lot of studying for the book. He might have some ideas.

Kondracke: I'll check with him.

Baker: And then I remember, of course, when we were in the Reagan administration, I remember that Jack was in the leadership. I remember there were occasions when he would oppose us. Generally speaking we saw him as an ally. He was simply a Congressman in the

minority in the House of Representatives and he didn't have the responsibility for getting things done that we had. And he and some of his supply-side friends were inclined from time to time to criticize us. I understand that. At the time I'm not sure we appreciated it particularly, but it was our job to get things done. It was his job to remain ideological and pure and talk about how wonderful it would be to have a truly pure solution to a problem. Ten-ten-ten, the program for tax cuts, 10 percent, 10 percent, 10 percent. We ended up getting I think 23 percent across the board. I mean we did something really absolutely in my view fantastic and fundamental, and it was those Reagan tax cuts that kicked off one of the largest expansions in the history of our country. Eighteen plus years of sustained non-inflationary growth. And it continued right on up into the [William J. "Bill"] Clinton years, with two minor blips down, one of which cost 41 George H.W. Bush] a lot in his race against Clinton. But the tax cuts, and then later on, of course, when I became Treasury Secretary, left the White House chief-of-staff's job, we reduced tax rates further. So during the Reagan years we took the tax rate, top marginal tax rate, from 70 percent down to 28 percent. That was remarkable, and it triggered one hell of a boom. And Jack was an ally in that. You know sometimes he would think that we were not being pure enough, but again, as I say, it was our job to get things done, and we had a Democratic House that we had to deal with, and I think we dealt with it pretty damn effectively. In tax reform in 1986, which was Ronald Reagan's number one domestic priority, and that I was the lead guy on because I was Treasury Secretary, Jack was very helpful to us, and particularly helpful when the House Republicans, led by [Richard B.] Dick Cheney and [C.] Trent Lott, bucked us on the rule. Well, they bucked us on tax reform because the tax reform not only lowered

marginal rates, it broadened the base by eliminating loopholes in the deductions, some of which were very much favored by constituencies of the Republican Party, like the real estate industry, double declining balance and stuff like that. And I never will forget, Jack was number three in the leadership, and I'll never forget Cheney and Lott coming down to my office and said, "Okay, we're going to fight you on this, and we're going to beat you." And I said, "Look fellows, you guys are at the wrong white building. There's a white building right across the street over there and you ought to go over there and tell the Gipper that, because this is what he wants to do and we're going to do everything we can to get it done." They beat us on the rule. And I'm sure Jack didn't vote with them on that, or didn't help him.

Kondracke: He did vote with them on the rule.

Baker: Did he?

Kondracke: But then Reagan came up to Capitol Hill.

Baker: Yes, Reagan came up—

Kondracke: Now what did Kemp have to do with getting Reagan to Capitol Hill?

Baker: I don't recall that he had anything to do with getting him to Capitol Hill. Here's what our problem was at the time. I had switched jobs with [Donald T. "Don"] Regan, who'd been Treasury Secretary. Regan had a bunch of guys working for him that some of you referred to as "the mice," because they were. And they didn't have strength

and decisiveness and a willingness to get out there and fight the Republican House majority, and so for a period of three or four weeks, when we at Treasury wanted to get the White House particularly to come out and support a bill that was the [Daniel D. "Dan"] Rostenkowski bill, that we didn't like, but we kept saying, "Look, we don't like this bill but we've got to keep the process going. We'll fix it in the Republican Senate. But Regan wouldn't ask Reagan to stand up and speak positively about the Rostenkowski bill. I finally got him to do it. I'd been his former chief of staff.

Kondracke: You got Reagan to go up to the Hill.

Baker: Well, we got it. [Richard D.] Dick Darman worked on it, I worked on it. I remember going to see Reagan, saying, "Mr. President, you've made this your number one domestic priority; you've got a lot invested in it, the only way you've got a chance to get it done is to pass the Rostenkowski bill out of the House and fix it in the Senate, and if you don't fix it then you don't sign it. But this is a no-brainer, so you really need to do this." And he did it. Now did Jack weigh in on him too? I don't know. I'm not familiar with it if he did.

Kondracke: Jack did turn around. Jack and [Robert H. "Bob"] Michel and I think there were only 14—

Baker: Well, I don't recall that Michel was ever like Cheney and Lott dead set against it, but maybe he was. He was the minority leader in the House.

Kondracke: So Kemp did change his mind after that—

Baker: After Reagan came out and said, "Yes, I do want you to pass the Rostenkowski bill." Jack voted for the Rostenkowski bill?

Kondracke: No.

Baker: He didn't?

Kondracke: Well, he voted for the Rostenkowski bill, yes, on passage, yes.

Baker: Not on the rule.

Kondracke: Not on the rule the first time, but when it came back. And he took a lot of crap from his colleagues for abandoning—

Baker: From his hard core right-wingers.

Kondracke: Yes, on the basis that—

Baker: But again let me say our job, he did the right thing. Our job, nobody's ever been able to do fundamental tax reform in 100 years. Ronald Reagan did it, and it was the right thing to do, so that was the right vote to make.

Kondracke: Just because we won't come back to tax reform, how much interaction was there with Kemp and you on tax reform?

Baker: I don't recall. I don't think there was any, very little.

Kondracke: Because somebody said that they remember you and Darman coming up there and trying to—he was against the fact that the Rosenkowsky bill didn't have a \$2000 personal exemption, and that the rate was 38 percent or some top rate was 38 percent.

Baker: Yes, of course you can always find—it was a Democratic House. Talk about losing the forest for the trees, that's what that was.

Kondracke: All right. We'll skip that when we do the run through history.

Baker: Well we can talk more about tax reform if you want, but I—

Kondracke: No, we don't have to.

Baker: I don't recall Jack having a fundamental role in tax reform. Frankly, I didn't realize that he had voted against us on the rule.

Kondracke: Well, Kemp-Kasten [1985] was an early version of tax reform, and Bradley-Gephardt [1983], Kemp-Kasten, then Treasury I [1986], I mean there were lots of—

Baker: There was only one bill that was supported by Ronald Reagan, president of the United States.

Kondracke: Okay. When did you first meet him, or when did you first become aware of him?

Baker: Well, I think that would probably have been, well, I guess, maybe it must have been some time during the '76 campaign, but I don't have any independent recollection of it Mort.

Kondracke: Okay, so '78 you're obviously, is the first time that you—

Baker: Yes, because he came down here and he campaigned for me.

Kondracke: Do you remember any interaction at that point, I mean what you thought of him at the time?

Baker: Yes, we did a great event in Corpus Christie, Texas. I remember it very well. And I remember how appreciative and grateful I was that he came down. I don't know when Joanne and Susan became so close. I do not think it was during our stay up there in the Ford years. I think it was during the Reagan years, Reagan-Bush years.

Kondracke: Right. So what do you think were his outstanding personal strengths?

Baker: Well he was committed. I mean, I've often said Reagan held certain views viscerally, you know, strong defense, lower taxes, smaller government, things like that. And I think Jack had the courage of his convictions, but there was a significant difference in my view, and that is that Reagan was really, at heart, a pragmatist, because he understood that we judge our presidents on the basis of what they can get accomplished in the Congress, and contrary to some popular belief, he was not an ideologically pure leader. He knew, he

was a good negotiator. He knew when to hold them and he knew when to fold them, and he was quite willing to do the nitty gritty grunge work of reaching across the aisle to get things done. It happened over and over. Look at the first tax and spending program that we came up with when we got the Boll Weevils to come across by putting our own program up there and saying to them, "Look, what do you need, what do you need tweaked in this in order to support the President?" He did it again in tax reform, he did tax reform with Democratic votes. Too bad we can't find something like that today in our political dysfunction.

Kondracke: So how would you contrast Kemp with—

Baker: Well, I don't think Jack was as pragmatic. He may have had some pragmatism in him, but he was more ideologically, I think. That's not to take anything away from him. I mean the strength of his convictions was one of his strengths. But he was in a position where he didn't have to make things happen; we were sitting down there at the White House, and our job was to make things happen. Fortunately we had a president who understood that, and was willing to do what was required to get it done. And I think Jack was a little bit more ideologically committed.

Kondracke: Purist.

Baker: Yes, absolutely. Maybe even to the point that that was maybe a weakness, I don't know.

Kondracke: Any other weaknesses?

Baker: No. He's a friend, he really is, even though as I say, we had some issues where we crossed swords. We used to call him Harry High School, because he'd come into these Cabinet meetings, and he was full of ideas and ebullience, and he wanted to, you know, he was Secretary of Housing and Urban Development, and he wanted to be a combination of chairman of the Federal Reserve, Treasury Secretary, Secretary of State, and Secretary of Commerce, or whatever else, and so he would expound on anything in the world that the President would let him talk about, whether it was the gold standard or whatever else, regardless of whether it was in his jurisdiction or not. [laughs] It became the subject of some mirth.

Kondracke: Did he do that at every Cabinet meeting?

Baker: No, not every one, not every one, but—

Kondracke: Do you remember any specific interventions?

Baker: No, I can't. I remember talking, one time we were there, there wasn't any discussion of Fed [Federal Reserve Board] policy, and Jack wanted to talk about monetary policy. Well, you know, that's not exactly something you determine in Cabinet meetings, particularly when you're the Secretary of Housing and Urban Development. Now I say that with fondness and regard for Jack, but you asked me if there were any other weaknesses.

Kondracke: One of his aides, oh, actually it was [Daniel R.] Dan Coats said that he came back and talked to his friends and said that you said

to him, "Jack, you are not the Secretary of Commerce; you are not the Secretary of State; you are the Secretary of Housing and Urban Development. You are not the f---- especially Secretary of State." Do you remember ever saying that?

Baker: Probably I did. I probably did. Well, it would have been at least partially my job. It would have been my job in the first Reagan term, because I was the White House chief of staff. And it was at least partially my job in the first Bush term when I was Secretary of State.

Kondracke: Right.

Baker: I'm sure I probably did.

Kondracke: Okay.

Baker: You know Jack could be an irritant. I mean here I am trying to get the Madrid Peace Conference [1991] going, get it put together. It was something that had never been done, to get the Arabs to change 40 years of policy and come sit face-to-face with Israel across the table to talk peace, and what is Jack doing? He's inviting Ariel Sharon over without ever clearing it with the Secretary of State. Ariel Sharon, the hardline housing minister of Israel, who's building a new settlement every time I go over to promote the Madrid Peace Conference. Well, I found that to be fairly counterproductive.

Kondracke: And—

Baker: And let him know about it.

Kondracke: How? What did you say?

Baker: By telling him, "You know, this isn't something you ought to be doing." And I'm not sure that he even got the President's okay. I don't think he did. Sharon was the housing minister, Jack was the housing minister. "Come on over." [laughs]

Kondracke: So the meeting got forced over to the Israeli Embassy. I mean he did meet with him.

Baker: Yes, but I think we, I think we—

Kondracke: You made it clear that you didn't want it to happen.

Baker: I think I made it clear, the President did. It ought to be at the Israeli Embassy, yes, that's right. Well, it was a very sensitive time. We were just about to get the Madrid Peace Conference done, and Sharon was very clearly an obstacle to peace, and so were settlements.

Kondracke: So what is the truth about the recognition of Lithuanian sovereignty? [Max] Marlin Fitzwater, at one point the news reports have Kemp almost strangling you. Then Marlin Fitzwater must have changed the book and said, and then he's chasing you down the hall and Dick Cheney says that Kemp was leaping over furniture in the Oval Office.

Baker: [laughs] It's absolutely true.

Kondracke: Tell me what you remember about it.

Baker: Well I don't remember a lot about it, except here we are in the Oval. Why was Jack there? I don't remember. Maybe it was—

Kondracke: It was after a Cabinet meeting.

Baker: I think it was at the conclusion of a Cabinet meeting, and we're going in to have a very important meeting with 41 about this issue of what we're going to do about Lithuania declaring independence. Oh, and so Jack follows us in and starts talking to the President about how important it is that he recognize Lithuanian independence. And I was apoplectic about that at the time because we needed to keep it going with [Mikhail S.] Gorbachev and [Eduard] Shevardnadze, and history has proven that that was the right approach to follow. And I basically told Jack to buzz off, and he got mad and he chased me down the hall. [laughter] It was funny.

Kondracke: I remember when Marlin's book came out, the description in the press was that he was going to strangle you, that he was going to put his hands—did he do that?

Baker: He was after me. No, I was too fast. [laughter] He may have been a pretty good quarterback for the Buffalo Bills but I was plenty fast getting out of that. But you know, again, Jack and I were friends. You might not believe it when you hear all those anecdotes, but he came to Houston. And after he became the, you know, on the ticket with [Robert J. "Bob"] Dole, and after they lost, he came down here

and spent a couple of days with us. But Jack's reach exceeded his grasp. I mean Jack really wanted to be, I'm convinced, something more than—now Bush asked me if he should put Jack in the Cabinet, and I said yes. And I want to tell you, I think Jack did an extraordinarily good job as HUD [U.S. Department of Housing and Urban Development] Secretary, particularly with respect to low-income housing, homeless, enterprise zones, he was terrific. He just couldn't stick to his own knitting. [laughter]

Kondracke: Okay. So you said at the 1988 dinner marking his retirement from Congress after the '88 election, in effect, that he was right and you were wrong about supply-side economics.

Baker: That's correct. That's absolutely right. I still believe that. I say it to this day, that I am a reformed drunk, but this was in the context of the voodoo economics phrase that we used in the campaign.

Kondracke: Where did that—

Baker: That came, really, from [Peter B.] Pete Teeley, I think, he was our press Secretary. I'm not sure that's where it came from, but we used it. I was the chairman of the campaign and I authorized the use of it, and it really pissed Reagan off, really pissed him off, and he used to mention it to me occasionally after I became his chief of staff. You know this is the departure from what you all are doing, but that was an extraordinarily unique situation in American politics, where a person elected president would reach out to someone who ran two campaigns against him and asked him to be his White House chief of

staff, and what I've said is it really demonstrates the broad-gaged nature of Ronald Reagan. How broad-gaged, so secure in his own skin, and recognized he needed somebody who knew Washington. But voodoo economics, you know, was something we used in the campaign against Reagan. It had a great little political ring to it and everything. But after I was chief of staff for four years, then I was Reagan's Treasury Secretary for four years, and I became a reformed drunk, because I saw it work. I saw it work, actually, during the last two years of my job as White House chief of staff, when I saw the economic growth that we generated by reducing the top marginal tax rate from 70 percent initially to 50, and then down to 28. And it did work, and you know, you go out there and say that today and everybody says, "Ah, poo poo, trickle down," they call it, "trickle down doesn't work, doesn't work." Well that's bullshit. It works.

Kondracke: Right. So in your book you say that Ronald Reagan plus Margaret [H.] Thatcher, using supply-side economics, in effect, and the success of it, changed history, changed the attitudes of people all over the world toward free-market economics.

Baker: I think it did. Well, I think what I said was if you look around the world, particularly at the end of the Bush I administration, the whole world was adopting America's paradigm, which was democracy and free markets, and the free market part was significantly enhanced and impacted by lower marginal tax rates. That does generate economic growth.

Kondracke: So what part did the strength of the American economy play in toppling the Soviet Union?

Baker: A lot. It played a lot. I think history is going to be very kind to Gorbachev and Shevardnadze, because they were the leaders of the Soviet Union who made the fundamental calculation that they would not use force to keep the empire together. And history is going to treat them well for that reason. But one of the reasons they made that calculation, in my view, is that they figured out they couldn't compete with us economically. SDI [Strategic Defense Initiative] was a little part of that, but it was the bigger economic picture, I think.

Kondracke: So here's a theory that some Kemp admirers have, that he was the original author of supply-side economics, of the bill, anyway, that Reagan adopted. Reagan picks it up and changes the world with it, therefore Kemp deserves at least some credit, along with Reagan, for changing the world.

Baker: Well, I think he deserves credit for coming up with—if he was in fact the father of supply-side economics. I don't know whether Jack was. A lot of people. Jude [T.] Wanniski might tell you that he was it. [Arthur B. "Art"] Howard [sic] Laffer will tell you it was him.

Kondracke: Well Jack certainly borrowed it from them.

Baker: But Jack was the political figure that they used, the political face, if you will, of it. And so I think that that's a logical argument to make. My only quarrel with Jack was that he wasn't willing to see that with a Democratic House, you had to shave a few things here and there to get it done. You couldn't just mandate it through.

Kondracke: Right. I mean you probably don't have the transcript or haven't seen what you said in 1988, but it was, I'll read it to you. "When the history of this revolution is written, two names should dominate the very first chapter: the general, Ronald Reagan, and the chief strategist, Jack Kemp. Jack Kemp was the idea man behind the Reagan Revolution. The 1981 tax bill was the spark that lit the Revolution, and Jack Kemp was the inspiration, Jack Kemp was the quarterback of that bill."

Baker: Well good.

Kondracke: You stand by that.

Baker: That was at his birthday, okay? [laughter] I wouldn't go so far as to say he was the quarterback of that bill. That may have been a little bit of hyperbole, that was a little hyperbole, Mort, but Jack deserves a lot of credit. I mean, he was the face of that philosophy, and so I think he deserves that credit.

Kondracke: I was actually going through the Wanniski papers, and I found a lot of letters from Jude Wanniski to you.

Baker: He wrote me all the time.

Kondracke: Yes. So what was your connection with Jude Wanniski?

Baker: I don't know, except that, but I bet you won't find many letters to me until I was chief of staff for Ronald Reagan.

Kondracke: Oh, that's right. And then for a long time after that.

Baker: Yes, he used to write me all the time. Well, he thought that as Treasury Secretary I did the right thing, and within limits, the right thing as White House chief of staff, even though I wouldn't let Reagan be Reagan. I mean, how insulting. That used to really piss me off when people would say, "These guys in the White House won't let Reagan be Reagan." They professed that this was their shining knight. Ronald Reagan, he couldn't do anything wrong, and yet they would suggest that he was controlled totally by his staff, that's total bullshit. And Jude was one of them. But he admired the job that I did because we got it done. Somebody had to take the thing and make it into legislation, and make it work. And it was Ronald Reagan who did that. And Jack and Jude and Art and whoever they were, the godfathers of the concept and the philosophy, but it was Ronald Reagan who made it work. Without him it never would have happened.

Kondracke: Right. So what did Reagan think about Kemp?

Baker: That he could be an irritant, I think, but that he was philosophically on the right wicket with this idea.

Kondracke: Do you remember any conversations with Reagan about Kemp?

Baker: I think when he voted against us on tax reform, but I don't remember a definite conversation. But I know Reagan wasn't happy with that. He was not pleased with that. Reagan was guileless, you know. He would never think ill of anybody, he couldn't. That was

Nancy's job. She was his protector. Well, it's true. She was his guardian, his protector. I remember when [Edward J.] Ed Rollins went out and said, "Maureen [E.] Reagan is the worst candidate I've ever known," and Reagan wasn't chomping at the bit to fire him. I mean he just didn't think ill of anybody. But he was disappointed. I think he was disappointed in Jack when that happened.

Kondracke: Did Reagan consider himself a supply-sider, and did he give—

Baker: Reagan considered himself a proponent of lower taxes, less regulation, smaller government and strong defense, peace through strength. Those were his ideological lodestars. I don't ever remember him saying "I'm a supply-sider." I'm sure he did. If we go back and look at his speeches, I think he probably said that several times.

Kondracke: Let's go back to the '80 campaign, besides the voodoo stuff. So Kemp had the title of chief economic spokesman for the campaign, but did he do much during—

Baker: In the '80 campaign?

Kondracke: Eighty campaign, after the primaries and Reagan is running for president. Kemp had endorsed him early on.

Baker: I don't remember. At that time I was a senior advisor in charge of debates, and I don't recall. But I don't recall Jack being at our headquarters much. I had an office right next to [William J. "Bill"] Casey, and [Edwin "Ed"] Meese [III] there, and I don't remember

seeing Jack there much, but I'm sure he did help him with economics, yes.

Kondracke: So when you get elected, let's talk about ERTA [Economic Recovery Tax Act of 1981], you know, the '81 tax bill. And you've party answered this question, but let me just get to it. So Kemp, and Paul Craig Roberts and Wanniski and [Robert D.S. "Bob"] Novak and the *Wall Street Journal*, the supply-siders—

Baker: Your pal, Novak.

Kondracke: My pal, Novak.

Baker: The Prince of Darkness. [laughter]

Kondracke: —were constantly accusing you—you and Darman and [David R.] Gergen and [Murray L.] Weidenbaum and so on of trying to water down and delay 10-10-10.

Baker: Guess what. We were trying to get supply-side economics passed through the Congress, okay? And we had the job of making things happen. They didn't have to make anything happen, so it was very easy for them to sit back and carp, which is what they did.

Kondracke: But every time Reagan was asked about this he said no, "I'm not going to, I'm sticking to my guns," and then there would be endless stories about how there was this battle for Reagan's mind between Treasury and the White House.

Baker: Treasury, really?

Kondracke: Well, Paul Craig Roberts was at Treasury.

Baker: He was way down in the woodwork, though.

Kondracke: He was an underSecretary for a—

Baker: No, no. He might have been a deputy assistant Secretary, maybe maximum, assistant Secretary of the Treasury.

Kondracke: Well, he—

Baker: Yes, assistant. You look it up. I bet you—

Kondracke: Okay, but they thought, you know, and [Stephen J.] Steve Entin, and some of those other guys—

Baker: Yes, I remember all of those guys—

Kondracke: So they thought that Regan basically was one of them, and that Regan was a supply-sider at that particular point, and was operating—in any event, Paul Craig Roberts wrote a book, and it's got endless stories—

Baker: It's mostly dumping on me.

Kondracke: —endless stories about, and lots of quotes from the papers, which are true, about leaks or stories out of the White House

saying the President is going to compromise with [James R.] Jim Jones on the budget, and he's going to compromise with the Republican—

Baker: Well guess what? It's true. The President did compromise, which is why he got his spectacular economic program through a Democratic House in the first term.

Kondracke: Did you have to convince the President to make those compromises?

Baker: He wasn't listening to that chatter. He listened to the people in whom he had confidence, that he'd asked to staff his White House and his administration. Now, I don't remember where Regan was at that time. Regan at one point was Reagan's favorite Cabinet Secretary, because they were both Irishmen, they were both the same age, they used to tell Irish stories. And that's one of the reasons that Regan, when the switch deal was proposed by Regan to me, that Reagan bought off on it, because he liked Regan. But I don't recall Regan being a particularly forceful or effective, and I sure don't recall a lot of meetings in the legislative strategy group, where he would come in and say, "No, no, we can't shave this in order to get these Boll Weevils aboard, or we can't shave that." I don't remember that. He may have done it, but I think that he was probably more true to supply-side principles when he was talking to his guys over at Treasury than he was when he would come over and have to deal with us at the White House in legislative strategy meetings, but that's just my surmise.

Kondracke: So Roberts and some journalists interpreted what was going on. The stories would all appear in the press about the battle for Reagan's mind and all that kind—

Baker: Oh, yes, yes, yes.

Kondracke: And evidently there was a battle for Reagan's mind, right?

Baker: Well, maybe so, but I don't recall ever getting a lot of pushback from Reagan when we would go in there and say, "Look, we've got to do this in order to make this happen. We have to do something in order to make this happen." And again, I would remind you that 10-10-10 was 30 percent cuts over three years; we did 23 percent in one year.

Kondracke: It came out 5-10-10.

Baker: Did it?

Kondracke: Yes, and it was delayed and the whole—

Baker Policy Assistant John Williams: Twenty-three percent over three years.

Baker: So, I'm sorry, 23 over three years.

Kondracke: And it originally was supposed to take effect on January 1st of the first year, and it really didn't take effect until after the recession had started.

Baker: Okay, so those small adjustments, I would submit to you were one hell of a small price to pay for our being able to get that stuff through a Democratic House and signed into law, and it's just like tax reform. You could say, "Well, you never took state and local taxes, you never did charitable deductions, so therefore you didn't do anything worthwhile." Well, that's, come on, that's not the way the process works.

Kondracke: So Roberts and some journalists, major journalists, interpreted this stuff as an attempt by people who had worked for Bush to undercut supply-side economics in order to set up the succession, in other words if it worked—

Baker: And the people who had worked for Bush were James A. Baker III.

Kondracke: Baker and David Gergen and—

Baker: Gergen was out of there by the time all that stuff was passing. Gergen only lasted two years.

Kondracke: Well, he lasted through the first term.

Baker: Did he? Okay. Gergen and Darman, Baker, Gergen, Darman, [Max L.] Friedersdorf, the cabal of people who got things done for Ronald Reagan, right?

Kondracke: Right. So it had nothing to do with the succession. You weren't thinking about Jack Kemp as, well, look, if Reagan had not run for reelection, and—

Baker: That sounds like something that [Alexander M.] Al Haig [Jr.] would say. [laughter] Really, I'm not kidding you. That's crazy.

Kondracke: Conspiracy theory. No, listen.

Baker: If you read my book you'll see I bent over backwards to make sure that everybody knew where my loyalties were. They were to Ronald Reagan. Now, if seeing Reagan succeed enhanced Bush's opportunities, so much the better. He was vice president of that administration. But to say that somehow that we were doing in order to defeat the hopes of Jack Kemp for running for president, that's crazy. I did everything I could to defeat Jack Kemp, and did defeat him, okay?

Kondracke: In '88.

Baker: In '88, yes, and we'll get to that in a minute. But it didn't have anything to do with my advice to Ronald Reagan that if he wanted to get his program through he'd have to shave it here and there. So I don't know what journalist you're talking about beside Novak.

Kondracke: No, no, there were a lot of them, actually. It wasn't just Novak. Anyway, David [A.] Stockman is also operating, well, was he operating in the interests of getting these bills passed, or was he really

truly against the Reagan tax plan? He sounds now, and his book sounds as though he thought—

Baker: I don't know the answer to that. You really would have to ask. I never really was positive totally of where he was. Look at the thing he did with [William] Greider, which was treason, okay, and so I don't really know what his motivations were. I was told he was a supply-sider.

Kondracke: The supply-siders regarded him as an apostate.

Baker: An apostate, yes, but that was only after he'd been in there a while. When he first came in they didn't regard him that way did they?

Kondracke: Well, Kemp was a friend of his forever.

Baker: Yes, that's what I meant.

Kondracke: Kemp never dumped him, but Wanniski began to suspect him right from the beginning, and then as time went on, remember, Kemp would criticize his deficit estimates all the time, and say he was overstating the deficit estimates

Baker: Yes, I knew that, yes.

Kondracke: Trying to undercut the tax plan.

Baker: Yes, that's true. You know what is interesting, the point you made about Wanniski, Wanniski did write me all the time, and shared confidences and things with me. Why? Because he admired my ability to get things done. That was the reason. And I always felt that therefore he was not quite so Simon-pure as people like Entin and Roberts and people like that, and maybe Jack, I don't know.

Kondracke: Yes. My read on Wanniski, he wrote a lot of people and they were all suck-up letters, actually.

Baker: Well maybe that's what it was. Maybe he was just sucking up. I was, after all, in a reasonable powerful position. [laughs]

Kondracke: Indeed you were. When Stockman spilled his guts to Greider and was treasonous—

Baker: Because we needed him, yes, we needed him. Why did I protect his shop? We needed him. Nobody else knew all that stuff, and I was really fearful that we would be without anybody who—nobody else knew it. And so I prevailed upon Reagan not to fire him.

Kondracke: Right, so as soon as the '81 tax bill is passed, there are all these stories of people trying to get Reagan to impose excise taxes on tobacco and alcohol, stuff like Social Security—

Baker: I don't remember any of that. We didn't do that. But we did do TEFRA [Tax Equity and Fiscal Responsibility Act of 1982], okay? And I remember the problems with TEFRA and the problems in convincing the President that he ought to do it. We finally did. It's

one of the few times I've ever seen him lose his temper. He took his glasses, I can see it right now today, threw them down, "All right, Goddammit, I'm going to it but it's wrong." Guess what. He may well have been right. I think I wrote that in my book, that I think he may have been right and we'd been wrong. But at the time we were dreadfully fearful of the bond market, because we had this big deficit. At the time it was a big deficit. Today it looks like nothing compared to what we got today. But we were in a period of rising interest rates and rising economic growth as a result of our tax cuts, and we were concerned—

Kondracke: Falling economic growth as a result of the high interest. I mean you were in a recession.

Baker: Well we were, but, well, we were coming out of it, though, Mort. Didn't TEFRA happen in January of '83?

Kondracke: No, it passed in August of '82.

Baker: Okay, but we were worried about the bond market, which ultimately will come, I mean I think that's what's going to happen to us now, once growth resumes and interest rates go up and we've got to start paying all this debt service, this debt we have today, this ticking debt bomb is going to be even worse. So that was the motivation behind it. I know [Paul A.] Volcker [Jr.] felt that way. I was not Treasury Secretary then, but I'm pretty sure that Regan was on board for TEFRA. In fact, I know he was, because he was concerned about that. You can check me on that. But anyway, so we prevailed upon him, after all we had campaigned to cut taxes \$500

billion, and we got into a bidding war with the Democrats, and we cut taxes by \$750 billion. So we thought, and there were a lot of people on the Hill who thought we should do this too, like Dole, who, I don't know whether Dole was Senate Finance Committee at the time or—

Kondracke: Yes he was.

Baker: And Howard [H.] Baker [Jr.], and all these people thought we ought to do this, and so we thought we ought to do it. Worried about the bond market. And we got the President to do it and man, he didn't like it, and as I've said in retrospect, I think maybe he was right and we were wrong.

Kondracke: Weren't the interest rates so high because Volker was—

Baker: Volker was squeezing things.

Kondracke: Squeezing, yes. So why didn't people put those two things together, that he was squashing down on inflation and that was raising interest rates, and that was producing the recession, as opposed to the deficit.

Baker: We didn't think that the deficit was producing the recession, but I think we thought that we were never going to get out of it if interest rates stayed high, and you're quite right that Volker was squeezing the inflation out of the economy. It was the right thing to do. Reagan was supporting him. That's another thing. Reagan was really good about that and the supply-siders didn't like that a damn bit.

Kondracke: Kemp wanted him replaced.

Baker: Yes, that's correct. They wanted him fired, but Reagan was doing the right thing, and it worked. And so when Volker and all these other people, the leaders, our Republican leadership in the Congress and everybody else was saying, "Hey, you've got to do this," it's pretty persuasive. In retrospect I think we didn't have to do it. But it wasn't all that big a deal.

Kondracke: Ninety-five billion.

Baker: Is that all we did? Not 250. Ninety-five, it's not all that big a deal. Even at the time that wasn't all that big a deal. But we did it, it got the leadership off our back, it got the chairman of the Fed off our back. I'm not at all sure that Regan wasn't also arguing for it. But again, it fell to our lot to get it done, and we got it done. I think it probably was a mistake.

Kondracke: You say in the book that you, Meese, Deaver, [Stuart K.] Stu Spencer and Nancy [D.] Reagan were working on Reagan to raise taxes. How did Nancy Reagan play into that?

Baker: Nancy Reagan was the most influential voice in the White House.

Kondracke: But she wasn't an economist. How did she get—

Baker: She was a pretty good politician, okay? And so she understood the politics, and she understood that maybe this was a risk in terms of the bond market, and if the Congressional Republican leadership tells her it is, and the close-in people in the White House do, and probably the Secretary of the Treasury, so she wants to look out for her husband. It's like on any number of instances where she was critical to what was done, you know.

Kondracke: Before I forget it, just to go back one step, when the '81 tax bill got signed in August of '81, it was done in California.

Baker: Yes, at the ranch.

Kondracke: Why wasn't there a big Washington ceremony?

Baker: Well, we hadn't gotten our spending cuts. That's the only thing I can think of, at that time. That was the beginning of this kabuki dance we do all the time where we agree to spending cuts and tax increases. We get the tax increases but don't get the spending cuts. And that's why I suggested in an op-ed in the *Wall Street Journal* within the last nine months that if we do another grand bargain, what we ought to do is sunset the tax increases if we don't get the spending cuts. We ought to do that.

Kondracke: Okay, so before TEFRA actually got passed, in the lead-up to the State of the Union message in 1982, you guys had been telling the press that Reagan was going to go for tax increases. Then he comes out in the State of the Union address and he says, he

repudiates the quote-unquote 'doubters,' who have been advocating a tax increase—

Baker: The doubters.

Kondracke: Yes, and Larry [M.] Speakes—

Baker: Nancy Reagan, Jim Baker, Ed Meese, Mike Deaver, is that who he was talking about? I remember that speech.

Kondracke: Yes, and one of the first questions to Larry Speakes in the briefing the next day was does Jim Baker still have his job? So, you guys were out there. You had been backgrounding all these guys about how Reagan was going to raise taxes, and then he cut you off at the knees. Then you kept after it, though, and you finally got the deal that ended up being TEFRA.

Baker: When did we get it, when did he agree to it? February?

Kondracke: I think he finally agreed to raise taxes in like April or May or something like that. It took a couple months more before you finally persuaded him to take the deal.

Baker: I remember that. I think the President stuck those remarks in the speeches himself. He wrote a lot of his own speeches you know. We now find that out. So these people who always say "and let Reagan be Reagan" insult him, the person they profess to admire so greatly. And now they find out he did his own stuff oftentimes.

Kondracke: Okay, but if he says in the speech, "I'm not going to raise taxes, and those people who are trying to get me to raise taxes are wrong, and I'm not going to do it,"

Baker: Then he did it.

Kondracke: Yes, and then he did it. But you say that you were operating for the benefit of him, trying to get his program through, and yet he's saying—

Baker: We got his program through. What are you talking about?

Kondracke: But he said his program was to not raise taxes.

Baker: Well, that's right. He also said that he would never sign a bill permitting abortion, which he did in California. Come on. He was a pragmatist, okay? Very much a pragmatist. That's what they can't stand either, a lot of the purists. They can't stand the recognition, now history was proving to them that this guy was really a pretty good pragmatist, which was a dirty word to them. Principled pragmatist. Principled pragmatist.

Kondracke: So, Kemp is leading the charge against TEFRA. He's number three guy in the leadership and yet he is opposing—

Baker: And Ronald Reagan wrote he's being unreasonable.

Kondracke: He did. Did he say anything else?

Baker: Probably. I can't remember what it was.

Kondracke: There were stories in the media, from unnamed White House sources, saying—

Baker: Whenever you saw those you knew it was Gergen. That's why he got fired.

Kondracke: That Kemp was putting personal ambition ahead of loyalty to the President.

Baker: Well that may not have been Gergen, that might have been Darman. I'm only kidding. I have no idea who that was.

Kondracke: Well Meese thinks it was you.

Baker: Who does?

Kondracke: Ed Meese.

Baker: Meese. Sweet old Ed, "Poppin' Fresh." Did you know that I've put Ed on two commissions, and we've worked very closely together—

Kondracke: Actually he said, "It was Baker or his people."

Baker: That's what he would say. "Baker's side of the White House." Probably was, probably was. But it wasn't designed for George H.W. Bush. That wasn't what it was. It was probably retribution toward Kemp for opposing the President's program. You know here he was

number three in the leadership and he wouldn't support the President's policy just because he didn't agree with it. So, you take a shot at him, right? That's what happened. I'm not saying I did it, because I don't think I did.

Kondracke: So where is Bush in all this?

Baker: The Vice President wasn't in on all those discussions. He didn't attend legislative strategy meetings. And you know, I've often said he was a perfect vice president, because he never let himself get caught speaking out. He realized that nothing's ever secret in Washington, so he didn't get caught speaking out in meetings where he could be juxtaposed against the President. But he wasn't in these discussions. In '88, I'm jumping forward a little but I wanted to tell you this while it's on my mind, I was Treasury Secretary, and I went to an event on Mackinac Island [Michigan], okay? I can't remember what the month was, you can find it in our stuff, but before I spoke, I noticed on every chair there were Kemp flyers, okay?

Kondracke: Eighty-six.

Baker: Was it '86? Okay. I came back and I called George, and I said "Hey, you need to know that this is happening out there, and I'd like for you to get Barbara [P. Bush] and come down here and let's talk about it in your office, in the West Wing office." And I met with him there and I said, "You can't wait forever to be thinking about what you're going to do." By that time he hadn't even said he was going to run, but I knew he probably would. But that's what triggered that response on my part. So at that point I very definitely was looking

after, I was Treasury Secretary by then, not chief of staff of the White House, looking after '41's potential.

Kondracke: So you obviously saw that Kemp was organizing.

Baker: Yes, I did, and I wanted Bush to know about it.

Kondracke: Was there any other action that was taken with the idea that Kemp was a threat to Bush?

Baker: No.

Kondracke: Did you regard Kemp as a real threat to Bush?

Baker: I didn't know. When you think back on it now, I remember flying home from the Middle East, some foreign trip as Secretary of State, and hearing the results of the New Hampshire primary, where [Patrick J.] Pat Buchanan came damn close. Bush only won, I think, by 750 votes over Pat Buchannan. I'm thinking to myself, "Boy, this is going to be a tough deal, and you may not be Secretary of State much longer," I was thinking about that. But I don't remember thinking that Kemp was the major opposition. Didn't Dole, Dole, didn't he win Iowa or did [Marion G. "Pat"] Robertson win Iowa?

Kondracke: No, I think Dole won Iowa. Robertson was second. I think you were third.

Baker: In Iowa. And then we go to New Hampshire, and Bush barely wins over Buchannan, and that's when [Thomas J. "Tom"] Brokaw did

his interview with Bob Dole where Dole said [imitating], "Tell him to stop lying about my record." [laughter]

Kondracke: Before we get to '88, besides TEFRA, Kemp is against you on the balanced budget amendment, on Volker, on AWACS [Airborne Warning and Control aircraft], but he was on the reservation for other stuff like the Contras [Nicaraguan rebel fighters] and SDI and support for Reagan politically. So how did you—

Baker: Well, he was, look—

Kondracke: I mean he's the number three leader, so how did you think about him?

Baker: Was he number three in '81?

Kondracke: Yes, '81.

Baker: I don't recall thinking that he was betraying his president, except on the tax reform thing, because that was such a big deal. And it didn't matter where he was on AWACS, because the Senate was our problem, not the House. We had, as a matter of fact, 75 Senators, we had a letter from 75 Senators saying don't sell AWACS to Saudi Arabia. The one thing that Carter asked Reagan in their meeting right after the election, before the inauguration was, "I hope you'll support me on the sale of AWACS to Saudi Arabia. It's important for us to build in that part of the world." But I don't recall that we ever had, I mean I didn't even know that Jack was opposed to us on AWACS. And what was the other, SDI?

Kondracke: No, he was for SDI. He was super for SDI.

Baker: Yes.

Kondracke: Okay, 1984 convention, the comma.

Baker: I have no recollection whatsoever. I had John [Williams] look that up for me. I now understand a little bit about I think what you're talking about. But I want to tell you something. That was so far below my pay grade, that was the platform committee, which didn't mean anything. Squat.

Kondracke: Apparently it was actually Darman, apparently. Darman was the one who was insisting, let's see—

Baker: He probably didn't even want to come.

Kondracke: He did not want to come, right, and to the point where Trent Lott apparently told you that Darman should not show up at the convention. Do you remember anything like that?

Baker: I don't remember that, but I remember Trent Lott taking off publically against Darman in the press, saying that he ought to be fired or whatever the hell it was. And he even gave on the record interviews saying this ought to happen, "He's not sufficiently conservative," blah blah blah, really attacking him. Wasn't the only time I was asked to fire Darman. I was asked to fire Darman by Stu Spencer, Paul [D.] Laxalt and [Michael K.] Mike Deaver. You know

what I told them? I said, "Well, that's very good," because we brutalized the President in preparation for the first '84 debate with [Walter F. "Fritz"] Mondale, where he couldn't remember anything, forgot his lines driving down Pacific Highway, the Shining City on the Hill, blah, and he just, remember Max Frankel, gave him two opportunities, and so they come to me and said, "You know, you've got to fire Darman." I said, "Oh, really? That's interesting. Well, I'm sure that if the President wants me to fire Darman he'll tell me to fire Darman." I knew damn good and well, he himself had said "I didn't stay; I didn't do my homework, it was my fault." Brutalized the briefing process brutalized him, the same briefing process we'd done in '80, where he was so successful against [John B.] Anderson and Carter.

Kondracke: Okay, '86 tax reform. I guess we've covered the '86 tax reform, actually. What was Kemp's role in the Baker plan? When you

Baker: I don't remember. I don't remember that at all. I think he was for it, because it was economic reform and growth, so I think he probably supported it. I know he supported some of the things I did at Treasury. He supported the idea that I advanced about a basket of commodities to help with exchange rates. I imagine he was probably against the Plaza Accord [1985], although I don't know that.

Kondracke: I don't know either.

Baker: I can't remember.

Kondracke: He was always pushing a gold standard.

Baker: Well, that's, the basket of commodities would have gold in it. I was a commodity, so he loved it.

Kondracke: Why did the gold standard just never get anywhere as an idea?

Baker: Well, because I think it would have meant going back to Bretton Woods. I don't see how you get, how do you go back on the gold standard without getting to fixed exchange rates? And I don't think any of us were in favor of fixed exchange rates.

Kondracke: Fixed exchange rates would mean that you'd be constrained.

Baker: Yes, you'd have to keep them within certain bands. We did target zones, we did. I went over with the Plaza and the Louvre Agreements [1987]. I agreed with one point with the French to some target zones, and it did promote some exchange rate stability. I don't know where the supply-siders would have been on that, I really can't remember.

Kondracke: Well, I think baskets of commodities were better—

Baker: Yes, they liked that.

Kondracke: than floating, but it wasn't gold. Okay. In the '88 campaign, you warned Bush ahead of time—

Baker: Kemp didn't do any good at all, did he?

Kondracke: He didn't. He lost the religious vote to Robertson, he had—[Pierre S.] Pete du Pont [IV] was stealing some of his supply-side thunder—he finished fourth in one campaign after another and finally dropped out. But, you get to the convention, and he apparently was in the running, right? for vice president?

Baker: For Bush?

Kondracke: Yes.

Baker: I think Bush considered him, yes. I think his name was on the list, but I don't think that he was in the top few.

Kondracke: He was the last person to be told that he was not it and that it was [James Danforth "Dan"] Quayle.

Baker: I thought [Richard G. "Dick"] Lugar was the last one told. Well, I don't remember that specifically. But I know, you know, Bush and I went to Wyoming to get away from the Democratic convention. We went fishing for five days in the wilderness, and that's the only time Bush really talked to me about his vice presidential appointment. He really wanted to hold it close. He was very concerned that nothing leak out. But I don't remember Jack as frankly being seriously considered. I don't think he was.

Kondracke: Did you talk about him?

Baker: Hm?

Kondracke: Did you talk to Bush about him?

Baker: Well, I think Bush had him on the list. I think he had him on the list.

Kondracke: Well, I mean you were his closest confidant, so you go down the list and what does Bush say about Kemp?

Baker: I don't think he was really on the short list. He was not on the short list. He was on a list of people. By the way, somebody that we might very well have gone to that Bush was high on was Pete [V.] Domenici, and now we know why he called me and took himself out. He never told me why he took himself out, but now I know.

Kondracke: Right, exactly.

Baker: I don't think for purposes of your historical stuff, I don't think Jack was really on the short list. And Bush came to me after he was president-elect, when he was constructing his cabinet, and said, "What do you think about putting Jack in the cabinet?" I said, "Well, that'd be great. On enterprise zones and stuff like that he might do a good job as Secretary of HUD, but you're going to have to find a way to get him to pay attention to his department. He's going to be all over the lot.

Kondracke: You foresaw what was coming?

Baker: Well, yes, because that's the way he was. And that's not said critically, but it's a fact. I think some of his strongest supporters would tell you that.

Kondracke: Yes. I mean people have just tried to imagine a private lunch once a week between Bush and Kemp.

Baker: No, no.

Kondracke: Kemp would do all the talking, right?

Baker: No. Yes. No. And it would be on the gold standard, which only he would understand.

Kondracke: So did you guys, honestly, did you guys ever laugh about that?

Baker: A little bit. Well, after it happened—

Kondracke: No, no, no

Baker: In cabinet meetings we did. [laughs]

Kondracke: During the HUD years, tell me about the "f--ing the Jews" incident.

Baker: The what? It didn't happen.

Kondracke: It didn't happen?

Baker: It did not happen, no. That simply did not happen, which was so sad that Jack would do that, because it didn't happen. What did happen was we were in the Oval, and we were talking about some policy action that someone said, and I don't know whether Brent [Scowcroft] or somebody else said, "Well, AIPAC [American Israel Public Affairs Committee] won't like that." And I said, I think, "Screw 'em. They don't vote for us anyway." AIPAC, it was a political comment, okay? A political comment, and not an anti-Semitic comment in any way, and I think most people understood that at the time. But I never did say—

Kondracke: So who was in the room?

Baker: Well, Kemp was there, I think, Quayle was there, I believe, Brent was there, George Bush was there. And all of those guys denied it, you know, and it's my understanding that Jack went out and dumped it out to [Edward I.] Ed Koch. Well, how, terrible thing to do. And dumped it out as "fuck the Jews," which it wasn't, as if it was an anti-Semitic comment, which it wasn't. It had to do with a—

Kondracke: Do you remember what the policy was?

Baker: —it was a comment made in a private meeting in the Oval Office having to do with some policy action that—

Kondracke: AIPAC opposed.

Baker: —that AIPAC opposed. And my comment was “Screw ‘em. They don’t vote for us anyway,” which was a purely political reaction and comment. And I think Jack really regretted having done that—

Kondracke: Did you ever have a conversation about it?

Baker: Yes.

Kondracke: And what happened?

Baker: Well, he indicated that he regretted it. When they came here and visited, and I think Joanne has talked to Susan about it. It was a trashy thing to do, a really bad thing to do, particularly at the time he did it, when he was considering running for president.

Kondracke: You think he was still considering running in ‘92?

Baker: Well, I think so. He dumped it out there and I was still Secretary of State. Of course he was thinking about it. He ran in ‘88.

Kondracke: No, no, this is, yes, he ran in ‘88 and then he didn’t run in ‘96.

Baker: Well, he didn’t run in ‘92.

Kondracke: He didn’t run in ‘92 and he didn’t run in ‘96 either, so—

Baker: Yes, well I don't know whether he was thinking about it or not. You'd have to ask him that. You'd have to ask him. Too bad you can't ask him why he did it. It was really not a very nice thing to do.

Kondracke: It comes out in the *New York Post* and there's a big kerfuffle about it, and so—

Baker: Yes, and I told the truth. I said I didn't say that.

Kondracke: Yes.

Baker: It was "Fuck the Jews," okay, as an anti-Semitic comment. I didn't say that.

Kondracke: Did you say "Fuck AIPAC?"

Baker: No. I said, "Screw 'em. They don't vote for us."

Kondracke: So, it comes out, you must have seen Kemp's fingerprints on it immediately—

Baker: No, I really didn't.

Kondracke: Oh, you didn't.

Baker: It took a little while before somebody told me that's what happened.

Kondracke: So, was there a point during all this time when you didn't talk to him? I mean, you had some, I mean look, you got this incident over Lithuania, you've got the Sharon visit, you've got—

Baker: He was a loose cannon, okay? A loose cannon.

Kondracke: So, did you—

Baker: He was a loose cannon in more respects than one. He criticized his idol, Ronald Reagan. He wasn't pure enough for him. Come on. He criticized all of us who were getting the job done when he's sitting up there on the backbench as a minority member of the House. He's criticizing, you know, and that's hard to take, even from a friend.

Kondracke: So what kind of friendship did you have?

Baker: Well, I think we had a pretty, actually a pretty good one. I think Jack liked me, and when he's not doing these kind of things, I liked him. But it's hard for me to forgive that latter episode. That was really a fairly trashy thing to do, particularly since it wasn't true. And you know I don't know what he told Ed Koch, and Ed Koch is now dead, and Jack's dead, and so who the hell will ever know, and there's never, you know nobody else has ever confirmed this.

Kondracke: Did Jack ever tell you that he had told Koch that you said, "Fuck the Jews?"

Baker: No. I think, I'm not sure.

Kondracke: I mean Koch could have heard "Screw AIPAC" and run with it.

Baker: He could have, and run it as "Fuck the Jews." Or the *New York Post*.

Kondracke: Yes.

Baker: You know, they could have done it. They could have manipulated it that way, but that really wasn't what it was. And what I said publically at the time was, "I never said that," and it's true. I never said it. And I would never say it. But I would make a political comment. There's nothing wrong with doing that.

Kondracke: Right. So, Fitzwater says that Kemp would in Cabinet meetings, roll his eyes—

Baker: Yes.

Kondracke: —and act up and stuff like that.

Baker: Yes, High School Harry, okay? That's why we called him High School Harry.

Kondracke: Who was we?

Baker: Well, a lot of us, including, I think, the 41st president of the United States, in fact I'm sure. Yes, he'd roll his eyes, and then we

might be talking about some trade, maybe we'd be talking about NAFTA [North American Free Trade Agreement—1994], and he wants to talk about the gold standard, okay, so anyway. That's the way Jack was.

Kondracke: Did he even roll his eyes and smirk when the President was talking?

Baker: I don't recall that.

Kondracke: Marlin says he did, but—

Baker: He probably, well Marlin would know. [laughs] Marlin would know.

Kondracke: So you said that otherwise his record was good at HUD.

Baker: His record was what?

Kondracke: At HUD he was—

Baker: I thought he did a good job at HUD. I tell you, he was really big on his record, as is my wife, Susan. Of course she's big in the homeless, you know. She started the National Alliance to End Homelessness 25 years, 30 years ago, and has been very successful, and she says Jack was really responsive in that area. And on enterprise zones and things like that.

Kondracke: Before I forget it, did Joanne and Susan ever intervene with the two of you to try to patch up your relationship? Did they ever have to do it?

Baker: No, I don't think so. I don't recall that happening. Our relationship was as we described it here, I mean it was, at times it was really good; at other times he was a pain in the ass to me, okay? I had the responsibility of getting this stuff done and making it work. Sometimes he helped. Sometimes he didn't.

Kondracke: Back in the Reagan days and before the '88 campaign, he actually called for George [P.] Shultz's resignation because he didn't think that arms control—that he thought that Shultz was making Reagan too soft on arms control.

Baker: Well that wasn't the only thing he was wrong on, was he? He was wrong.

Kondracke: And George Shultz says, as you say, that one, he got stuff done and two, he didn't do anything that Reagan didn't want him to do.

Baker: That's right. Well, that's true. So who cares what a backbencher in the minority in the House says on arms control. What expertise does Jack Kemp have in arms control? Zero.

Kondracke: Did you think Kemp was a neocon as opposed to a realist?

Baker: I don't know, I don't know. I don't know whether he was a neocon or whether he just saw the close relationship to Israel as being a beneficial thing for himself personally. I don't know the answer to that. I believe, I'm inclined to think that he had, again, the strength of his convictions and that he felt that it was really—he was really a strong supporter of Israel because of that.

Kondracke: On the Soviets, he didn't trust the Soviets to keep their agreements ever. That's what his aides say.

Baker: Neither did Reagan, neither did Reagan. But he made them because he said we trust but we verify. Well, I don't trust them either, and I don't trust arms control agreements we would make today with anybody, but you verify them. And the ones that Shultz made were verifiable. And the ones that I—START [Strategic Arms Reduction Treaty] I, START II, Chemical Weapons Convention—I'm sure he was probably opposed to those. They've been very good, and we verify them.

Kondracke: Back to HUD. He was constantly pushing on Bush to do more stuff on urban policy, and, in fact, as I understand it, after the Gulf War, he wanted Bush to have a big economic poverty initiative to capitalize on his popularity after the Gulf War.

Baker: That would have been a good thing. You know what would have been a good thing to do? I don't know what Jack, I was being Secretary of State and I wasn't privy to whatever he might be saying or proposing, but it would have been a good thing if we'd gone up to the Hill in January of '92 with an economic program around which we

could coalesce a campaign, but we didn't. We were small bore. We went up I think with some crime initiative or something. So if Jack was arguing for something more expansive and as Darman suggested, "Domestic Storm," we'd done Desert Storm. Now we were going to do Domestic Storm.

Kondracke: That was a Darman idea?

Baker: That was a Darman idea, and it was a damn good one. I don't know why it never got implemented. I was again off running around the world being Secretary of State.

Kondracke: During this period, Marlin says that every Kemp idea that didn't get adopted ended up in [Rowland] Evans [Jr.] and Novak. Did that piss you off too?

Baker: That's true. That's true, it did. I'm not sure that it pissed me off so much, but it's a fact.

Kondracke: You could read Evans and Novak and see Kemp.

Baker: That's true.

Kondracke: When Bush broke the "No new taxes" pledge—

Baker: Yes.

Kondracke: —Kemp was critical then, and he wasn't quite as critical, actually, as Gingrich was, and other people, but he was definitely

critical. And Darman is supposed to be the one who talked Bush into doing that.

Baker: Here's what happened. Go look at Quayle's book. Quayle will, Quayle says in there that Jim Baker told me that I would have to be particularly vigilant, because some of them were going to try and get Bush to break his tax pledge, no new tax pledge, and that I thought that it would hurt him. And of course I wasn't going to be around on those things. I was off doing foreign policy. And that's what Quayle writes, and it's true. I never will forget coming one Wednesday morning to the White House for my every Wednesday morning breakfast in Brent Scowcroft's office with Cheney, where the three of us would meet and talk about the foreign policy and security stuff we had to talk about. And that was the morning that the press were reporting "Bush Breaks Tax Pledge, Agrees to Tax [unclear]" and what he'd agreed to were tax revenue increases, okay? Not tax rate increases, not tax increases. Tax revenue increases. And Darman's sitting there in the car at the entrance to the West Wing, reading his paper, and I stick my head in the window and it says "Bush Breaks—" I said, "Dick, too cute by half." That's exactly what I said to him. I said "Too cute by half. You and [John H.] Sununu, tax revenue increases, if you can get people to focus on that or really understand what that means, but I think it's going to be too cute by half." And it was.

Kondracke: I don't remember what that tax revenue increase consisted of. It wasn't rate increases?

Baker: No, no. The agreement was we're going to get some spending cuts here. [George J.] Mitchell agreed to spending cuts and Bush agreed to tax revenue increases. Well, the nuance got lost in the translation. What's the difference between tax revenue increase and tax increase? You've got to be an accountant or a fiscal person to understand. Tax revenue increases mean if you lower tax rates you get more revenue. Tax increases or tax rate increases are a different thing. But the press just interpreted it to mean that he broke his pledge, which Sununu and Darman, I think, had argued to him. It was not breaking your pledge. You're just agreeing to tax revenue increases. But it didn't fly.

Kondracke: How come it flew for Reagan all the time and it never flew, I mean Reagan raised taxes five times.

Baker: Reagan hadn't said, "Read my lips." But he did in that State of the Union. He said, "The doubters, I'm not going to do it." But then he'd come out and say "Ah, shucks, well." [imitates] "Well, well." Reagan could get away with everything. He was so, well, you know what? Reagan understood that our party should be the party of hope and opportunity and optimism. Jack Kemp understood that too. Instead of the party of anger and resentment, which is what we've become, and we've got to get back to that.

Kondracke: Expand on that a little bit. How do you see it being the party of resentment now, and Jack and Reagan being the party—

Baker: Well, we were, you know, immigration. I would bet you that, well, you know, Reagan did do it. Simpson-Mazzoli Bill [1986]. Now

we didn't enforce it, that's where it fell apart. That was amnesty. George W. got 44 percent of the Hispanic vote. We need to get back to that. He put forward a good proposal on immigration. The unions killed it, you know, the guest worker provision. You've got to have something like that in there. But that's what I mean. Instead of being the party of no. Reagan showed us how to be the party of hope and opportunity and optimism, and the party of good governance, good governments, effective governments, efficient governments, not the party of no government, which is what a lot of them are talking about today. No government. Reagan was the guy who came to office saying the three most dangerous words in the English language, or the three most dangerous sentences, I'm from the government; I'm here to help you. He said government's not the solution; government's the problem. But he wasn't seen to be somebody who wanted to eliminate everything, the entire social safety net. Even though he would talk about the welfare queen and stuff. We need to get back to that.

Kondracke: At the '92 convention there was a flurry of stories that Bush was going to change the Cabinet and that Kemp was going to be out, and Bush denied that there was going to be a shuffle.

Baker: I never heard of that. Of course I was being Secretary of State. My first day as a private citizen was the day that the convention started. I had nothing to do with planning the convention or anything, but I resigned as Secretary of State effective August—I think it was 23rd, or something. It was the first day of the convention. I remember flying here to Houston. It was the Houston convention, a terrible convention. Put Pat Buchannan up there and let him fulminate. Awful. I don't remember anything about that.

Kondracke: Kemp actually had prepared a speech under the understanding that he was going to get fired, that was going to blast the Bush Administration and its economic policy, and he was told by his staff, "You're crazy. You can't do that." So he didn't do it.

Baker: That was good advice. The staff gave him damn good advice. You don't bite the hand that feeds you. People don't like turncoats, okay? You look at what happened to [John B.] Connolly [Jr.] and to [Arlen J.] Specter and to people like that.

Kondracke: There was some sort of, and I don't even know if you were conscious of this, but some sort of real, almost physical confrontation between Kemp and Darman at that convention. Do you know anything about that?

Baker: I don't remember it.

Kondracke: Okay.

Baker: I don't remember anything about Kemp at the '92 convention.

Kondracke: Okay. Ninety-six. Were you involved in the Sarasota [St. Petersburg, Florida] debate at all? You said that you—

Baker: I don't remember. I don't remember doing much. I would get calls from time to time from Dole. I don't remember whether Jack called me or not. He may have, about the debate prep. I remember

flying around on the plane on two trips or maybe three trips at Dole's request to talk foreign policy. That's about all I remember.

Kondracke: Everybody says that Kemp's performance at the '96 debate was a disaster.

Baker: I thought it was no good.

Kondracke: And do you understand why?

Baker: No, I don't. I don't know who briefed him. I don't remember how he prepared.

Kondracke: Judd [A.] Gregg was playing Al Gore.

Baker: Judd Gregg, hm hm.

Kondracke: It wasn't Judd Gregg's fault. Everybody says that Kemp didn't, Kemp took it, didn't take it seriously enough and didn't prepare.

Baker: Is that what it was?

Kondracke: Yes. Okay, so how much contact did you have with him after that?

Baker: A little bit, not a whole lot. Any hatchet that had been there was buried. He came and stayed with us. He had some event here in Houston, he stayed at our house. And then I think I saw him in DC a

couple of times. But that would be about it. When did he die, I can't—

Kondracke: 2009. You didn't have any contact with him after he was sick.

Baker: No, I really didn't. Susan had conversations with Joanne. I thought about going up to see Jack and I never got around to it. I should have done it, I really should have done it, but I didn't.

Kondracke: Okay. Any further thoughts?

Baker: No. I'm trying to think back to the early days.

Kondracke: So let me ask you this. If the Republican Party nowadays, beside what you've already said, were to look to Kemp as some sort of a model, how would it change, besides immigration? Because he definitely thought that the Party was off-track on immigration, but I just wonder. Because not raising taxes seems to be the—

Baker: Here's the problem, here's the problem. I frankly thought that this recent budget deal that we did at the end of last year, where the Senate Republicans went along with increasing taxes on the very wealthy so that sequestration wouldn't hit, you'd have a tax increase on everybody, I thought that was the wrong negotiating strategy. They gave up their leverage, okay? And now they're being met with claims for more tax increases if they want any spending cuts. Well, I'm going to quote Ronald Reagan to you. He said it all the time. "The

American people are not under-taxed. They overspend." And that's true. We are overspending. We're a basket case nation, we're a debtor nation, we're broke. If we didn't have the dollar, we'd be Greece, and so tax increases today make even less sense than they might have at times in the past, particularly if you want to create jobs and generate growth. Now those are things that Jack believed in, they're things that I believe in. Jack, I think had a lot of the right ideas. Jack may have been a little bit too impatient or too pure to put them into action.

Kondracke: Maybe undisciplined?

Baker: Undisciplined is a good word. Leadership is a commitment to values, James McGregor Burns says, a commitment to values and the perseverance to fight for those values, okay? That doesn't mean that if you have a chance to get, as Reagan used to tell me time after time, "Jim, if I could 80 percent of what I want I'd rather have that than go over the cliff with my flag flying." Some of his most ardent backers, I think, believed he ought to go over the cliff with his flag flying. That's a recipe for failure. If he'd done that, if he'd stuck to "No, no, I'm not going to have anything but 10-10-10," we wouldn't have gotten the fundamental changes in our nation's economic system that we got. Jack contributed a lot to that, but it was too bad that he was not disciplined enough to support Reagan when Reagan shaved at the margins in order to get the vast majority of it done.

Kondracke: Thank you.

Baker: You're welcome.

[end of interview]