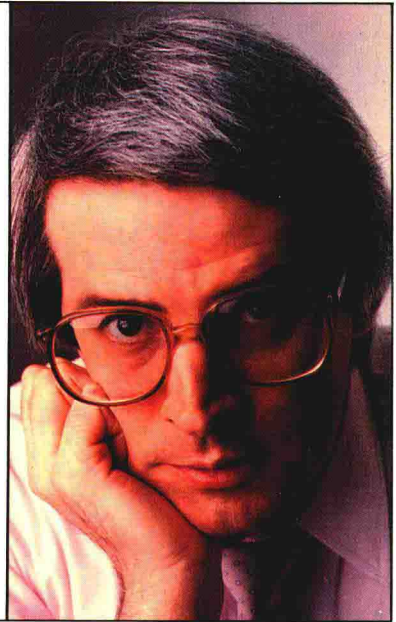


The Triumph of Politics

Why the
Reagan
Revolution
Failed



David A.
Stockman

**The
Triumph
of Politics**

**How the Reagan
Revolution Failed**

David A. Stockman



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THE TRIUMPH OF POLITICS

For Jennifer and Rachel

Acknowledgments

This book is a story about politics, so many people contributed to it in ways large and small. Because its conclusions are not equivocal, there are doubtless many who would just as soon be spared the honor of a mention.

But some are as deeply implicated as I. My colleagues at OMB and before that on Capitol Hill—David Gerson and Don Moran—lived nearly every moment of the story and offered invaluable suggestions for the improvement of its telling. Ed Dale and Mike Horowitz joined me when the Reagan Revolution began and insisted that an earlier manuscript did not do justice to what actually transpired. This version may not either, but I am grateful for their critical reviews.

Dick Darman was a key participant in much of the history herein chronicled. I learned much from him as the story originally unfolded and again as I sought to recapture it in these pages.

There are many among my former colleagues in Washington who did not read the manuscript but who nevertheless decisively shaped its content. Foremost among these I count Bob Dole and Pete Domenici. I do not especially like the idea that the supply-side ideology I began with found no place in the nation's politics. But the knowledge that a more conventional approach to economic governance is ably advocated by statesmen such as these is more than enough consolation.

Writing a book about budgets and numbers is enough to test the literary skills of even an accomplished writer. Chris Buckley, who knew something about the White House and even more about writing, gave me invaluable advice. Such readability as these pages may now have is in good part due to his guidance, red pencil, and the reworking of some sections that originally defied comprehension.

My editors at Harper & Row—Harriet Rubin and Ed Burlingame—merit more than just gratitude. They are also due an award for patience. By normal standards this book was written quickly—a characteristic more than amply evidenced by the original manuscript. Much of it found its deserved demise on the cutting-room floor, but not until they had heard me expound at length in the process of discovering that they were right. My amateur's disdain for editors has now been at least partially cured, and their efforts have made the book immeasurably better.

I would be remiss if I did not mention that Senator Daniel Patrick Moynihan also was kind enough to read the entire manuscript. He did not agree with many of my original solutions, but my conclusions he did not find nearly so stray of the mark. I have been tapping his wisdom for a long time, and the final manuscript is no exception.

Bill Greider had a lot to do with this book, including a critical and helpful review of the original draft. He was also kind enough to let me quote extensively from the transcripts of our 1981 conversations that made a big splash at the time, but had since been stacked away in his basement. I didn't like some of the things I found in them, but they were one source with which I didn't even try to argue.

Through it all, my wife, Jennifer, suffered above and beyond the call of duty. She heard every episode as it happened, and then its rendition draft after draft. She caught as many inconsistencies as anyone else involved in the project, and more fits of bad temper and frustration on my part than everyone combined. But she was unwavering in her support during all those years and through months of hectic writing. In the end that was more important than anything else.

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Prologue

The President's eyes were moist. It was unmistakable—they glistened. But while he made no effort to hide it, I had barely even noticed. My own eyes had hardly wavered from the center of my plate, from the olive atop the scoop of tuna salad. I had been trying to explain my involvement in the article in *The Atlantic Monthly*, and had rambled on nonstop for fifteen minutes. It seemed like forever.

The press had made it into a roaring overnight scandal. The story line made for a red-hot melodrama: The President had been cynically betrayed. I was the Judas who had disavowed the President's economic program and undercut his presidency. . . . His mettle was being tested. . . . I was hanging by a thread. . . . He was angry. That's what the newshounds in the White House press room were braying. And they were building it up by the hour.

The reality inside the Oval Office was quite different. We were sitting at a small luncheon table in front of a crackling fire. Aside from the popping sound of the wood sap, it was quiet and serene. It was the only time I had ever been alone with him.

After the White House stewards had served soup and tuna salad, the President turned to the business at hand. "Dave, how do you explain this?" he said softly. "You have hurt me. Why?"

My explanation soon meandered off into a total digression. It amounted to a capsule of my life story. . . .

I had grown up in a small midwestern town as he had. My grandfather had taught me the truths of Christianity and Republicanism. I'd been thrilled by Ronald Reagan's clarion call to conservatives at the 1964 Republican Convention.

But then I had gone off to college and fallen into the clutches of

campus radicalism. Like many in my generation, I took up Marxism and America-hating. Liberal professors and anti-war agitators shattered everything I believed in.

When the radicals turned violent, however, I finally saw the light. Just as he had stood up to them as governor of California, I had, too. Slowly I discovered that the left was inherently totalitarian.

Step by step I then worked my way back to where I had started. I rediscovered the virtues of unfettered capitalism, the dangers of Soviet communism, and the promise and ideals of American democracy.

For ten years I labored in the vineyards of Capitol Hill—first as a staff member, then as a congressman. I worked hard and long to learn everything there was to know about the behemoth called the federal government. In digging into the details of its vast expanse of programs, regulations, and bureaucracy, I discovered that it was riddled with waste, excess, and injustice. I came to believe that Ronald Reagan had been right all along.

The politicians were wrecking American capitalism. They were turning democratic government into a lavish giveaway auction. They were saddling workers and entrepreneurs with punitive taxation and demoralizing and wasteful regulation.

I had become a supply sider, dedicated to his cause of shrinking Big Government.

The President's speech to the 1980 Republican Convention had been even more overwhelming than the one sixteen years earlier. This time I was there. I had now reclaimed my conservative birthright. And I had helped write his bold platform calling for sweeping economic policy change.

His unexpected call to serve in the administration would always rank as the greatest privilege of my life. It showed that the promise of America was real. Only in America could a farm boy from Scottsdale, Michigan, be called upon by a President to help him rescue the nation's failed economy.

Ever since then I had worked day and night on the tax cuts and budget cuts. There was no greater challenge or higher calling than the matter of translating his vision for the nation's future into the policy of the land. And we had made progress.

That was what the *Atlantic* article was all about. Conservative idealism. It reflected my experience of the struggle between the Reagan Revolution and the conventional politicians who had thwarted and sabotaged it.

We were engaged in a battle of ideas. The Reagan Revolution could never be won unless the establishment politicians and opinion makers gave our ideas a fair hearing. They had to be convinced that sound money, lower tax rates, and a vast curtailment of federal spending, welfare, and subsidies was the only recipe for sustained economic growth and social progress.

Which was why I had been talking to Bill Greider, the *Atlantic* article's author. He was a friend and a committed liberal, but he had an open mind. Since January 1981, I had used him as a sounding board week in and week out in order to test "our" arguments and learn "their" objections. It had helped. *The Washington Post*, where he worked as an editor, had given us a fair shake—at least sometimes.

But we had gotten so absorbed in the argument between our side and theirs that we hadn't clarified the ground rules about quotations. That's how the "trojan horse" slipped out. . . .

So I'd rambled on—turning the *Atlantic* crisis into my story.

Then I looked up and saw the President's eyes. I realized it was time to stop. I had been speaking from the heart, but I had said enough.

So I concluded with, "Sir, none of that matters now. One slip and I've ruined it all."

The President responded by putting his hand on mine. He said, "No, Dave, that isn't what I want. I read the whole article. It's not what they are saying. I know, the quotes and all make it look different. I wish you hadn't said them. But you're a victim of sabotage by the press. They're trying to bring you down because of what you have helped us accomplish."

The President stood up and reached out his right hand. I grabbed it and noticed for the first time how fine, delicate, and, well, old it was. For a second it seemed like my grandfather's—the same hand that had started me on my way to Ronald Reagan's.

After a moment the President said, "Dave, I want you to stay on. I need your help."

He turned and began walking toward his desk, then stopped suddenly as if he had just remembered something. "Oh," he continued, "the fellas think this is getting out of control. They want you to write up a statement explaining all this and go before the press this afternoon. Would you do that?"

I agreed. My only lunch with the President was over.

The woodshed story happened later. It was the metaphorical pound of flesh demanded by the “fellas”—Mike Deaver, Ed Meese, Jim Baker, Lyn Nofziger, and the President’s confidential secretary, Helene von Damm. All except Jim Baker had wanted me fired on the spot and had browbeaten the President all morning. But having read the article, he had been reluctant.

So they went around and around. Mike Deaver was the most insistent. “He’s high-handed. He’s arrogant. He’s never been on the team in the first place. How can we let him get away with this?” That was the bill of indictment he and others laid out.

Finally, Baker had said to the group, “Mike’s right, but it ain’t going to be easy to run this government without him. Mr. President, why don’t you have him in for lunch and see if he’s learned anything? You’ve got to make your own judgment and give us a decision today.”

Shortly after 11:00 o’clock that morning I had been abruptly summoned to Baker’s office. When I arrived, he stiffly motioned me to sit down at the long table in his West Wing corner office. Without really thinking I pulled out the same chair I always sat in at the end of the table, kitty-corner from his at the head.

For eleven months I had sat there almost daily, dominating the conversations of the inner circle of White House aides who gathered to plot strategy and policy. We called this group the “LSG”; these were the initials for the Legislative Strategy Group. It was a prosaic-sounding entity that wasn’t even on the White House organization chart.

But the LSG was, in fact, the very top of the heap in the whole of Washington—at least in those days. From Baker’s table, it had plotted victory after victory on Capitol Hill. It had managed the enactment of what the press labelled the most sweeping revolution in national economic policy since the New Deal.

Only today was different. A different Jim Baker was now sitting two feet away. He had just plunked himself down in his chair without saying a word. His whole patented opening ritual had been completely dispensed with. No off-color joke. No casual waltz around his big office before he sat down. No jump shot that resulted in the arched flight of a paperwad across the room and without fail into the wastebasket.

This time it was all business, and his eyes were steely cold.

“My friend,” he started, “I want you to listen up good. Your ass is in a sling. All of the rest of them want you shit-canned right now. Immediately. This afternoon.

"If it weren't for me," he continued, "you'd be a goner already. But I got you one last chance to save yourself. So you're going to do it precisely and exactly like I tell you. Otherwise you're finished around here."

Baker continued his verbal thrashing without blinking an eye. "You're going to have lunch with the President. The menu is humble pie. You're going to eat every last mother-f'ing spoonful of it. You're going to be the most contrite sonofabitch this world has ever seen."

Baker then asked me if I understood the script. I mumbled that I did and got up to leave. As I walked across the room and reached for the door to his office, Baker turned and said, "Let me repeat something, just in case you didn't get the point. When you go through the Oval Office door, I want to see that sorry ass of yours dragging on the carpet."

As I tripped down the White House stairway and out onto the West Executive parking lot, I was in a daze. My legs were wobbly. My head was exploding with both fear and anger. Never in my life had I been treated to such a rude, unsparing humiliation.

Somehow I got back to my office in the Old Executive Office Building next door and slumped into my chair.

But by then I had figured out what was happening. Baker wasn't behind it. The hangmen were the others—especially Deaver. They had gone into another one of their overnight panics. Jim had just been trying to shock me into a realization that the shark feed was on.

That was how they operated. Reality happened once a day on the evening news. They were now going to kill last night's "bad story." The decks would be cleared for something more favorable.

Baker knew I needed warning. The White House temperature had gone into sudden and feverish convulsions in the seventeen hours since CBS correspondent Lesley Stahl had gone with the *Atlantic* story "two nights in a row."

Only a day earlier it had been different. I had attended an LSG meeting in Baker's office and the *Atlantic* article had been the object of considerable merriment. The group had even presented me with a framed plaque for the "best cover story in the December 1981 issue of the *Atlantic* Magazine." They had all signed the framed cover—Ed Meese, Jim Baker, Don Regan, Dick Darman, Craig Fuller.

I had been furious at Greider for using the quotes so carelessly, especially the one describing the Kemp-Roth as a trojan horse. I hadn't worked around the clock for seven months to enact the Reagan Revolution because I thought the supply-side tax cut was a scam.

But now the White House press room was littered with copies of a one-page "quote sheet." The loose quotations were turning the fifty pages of heavy intellectual lifting encompassed in Greider's article into a cynically manufactured scam. The press was twisting these half dozen quotes into an entire thesis, utterly unsupported by even the text of the *Atlantic* article.

To say nothing of reality. Where had the White House press corps been for eleven months? Weren't there hundreds of politicians on Capitol Hill hopping mad about how I had strong-armed them into voting for the administration's tax- and spending-cut program? Hadn't the press itself written feature stories a few months back about how I had practically singlehandedly put the whole massive package together in February? Wasn't everybody accusing me of too much revolutionary zeal and dogmatism—of being some kind of supply-side Robespierre? Did they really think I could have been a double agent through all those battles and not have been detected? The whole notion was Kafkaesque.

So I had thought the *Atlantic* story would quickly fade. I was obviously naive on that score. Still, I had asked two of my most intelligent, trusted, and worldly-wise friends to read it and render a verdict.

"Delicious," said my columnist friend George Will. "It's too bad this whole thing will quickly blow over. Some of your colleagues could profit from reading it."

Dick Darman had taken a different angle, perhaps reflecting his own view of the world. "Thank God for those stray quotes!" he exclaimed. "Nobody in this town would believe you were as idealistic and naive as the story actually reveals."

True, Greider's story had conveyed doubts and worries. But that wasn't news inside the White House. I had nagged them for months with reminders about how tough it would be to keep the whole sweeping plan on track. "It adds up—but not easily," I had been saying all along.

Greider's story had been about a radical ideologue who had dramatically burst upon the scene of national governance eleven months earlier. He had fairly and sympathetically portrayed my idealism and principled approach to national policy.

"We are going to attack weak claims, not weak clients," he had accurately quoted me as saying. That principle meant cutting subsidies to big corporations as well as to undeserving food stamp recipients. There was unaffordable excess in both categories.

My whole thesis had been that the social goals of the liberal establish-

ment could only be achieved through a revival of non-inflationary economic growth. You needed a rising tide to lift all boats. That had been the basic objective of the Reagan Revolution.

By midsummer I had become somewhat disillusioned. Greider had captured that, too. But my worry was not about the President's basic program. The problem was just the opposite. The congressional politicians were threatening to split his program at the seams by intransigently blocking the deep spending reductions that had to be matched up with the big tax cut. This resistance was now incubating a deficit that could soar out of control and hobble the economy.

I had feared that from the beginning. But I hadn't reckoned that there would be so much opposition on our side of the aisle. I was shocked to find that the Democrats were getting so much Republican help in their efforts to keep the pork barrel flowing and the welfare state intact. I had been worried because the votes didn't add up, not the economic plan.

I had also come to realize that in my haste to get the Reagan Revolution launched in February, we had moved too fast. There were numerous loose ends. The spending reductions needed to pay for the tax cuts had turned out to be even bigger and tougher than I had originally thought.

But the loose ends could be fixed, I had told Greider. The program could be gotten back on track. It would take a long, unrelieved struggle, but I thought it could be done. It was all right there in 400,000 copies of the magazine.

I seriously doubted the Deaver crowd had read it. They never read anything. They lived off the tube. They understood nothing about the serious ideas underlying the Reagan Revolution. They were above the rough, exhausting, demanding business of the daily struggle down in the machinery of government against the overwhelming forces of the status quo.

In a way, I had felt good after absorbing Baker's flogging. I knew without question that I had made a critical difference. Now the White House staff was going to lynch me on account of a metaphor. I had seen them go into action before. Deaver and the others had done it to Secretary of State Alexander Haig and other members of the Cabinet.

I had a clear-eyed grasp of their power. I therefore thought I knew what I had to do. If they didn't know the difference between reality and a metaphor, I would have to give them what they wanted. A counter-metaphor. A woodshed story. A self-inflicted public humiliation.

If I didn't decisively shut down the *Atlantic* story with a new one, the White House shark feed would continue.

So that afternoon I played out the script that the White House public relations men had designed. And the *Atlantic* scandal soon faded away.

But the real *Atlantic* story was just getting started. Much later on I would realize that the *Atlantic* affair's hours of white heat on November 12, 1981, had brought into bold relief the ultimate flaw of the Reagan presidency. The episode underscored all the essential reasons why what started out as an idea-based Reagan Revolution ended up as an unintended exercise in free lunch economics. Even then, the massive fiscal policy error that had been unleashed on the national and world economy was beyond recall. It should have been evident to me in the circumstances of those bitter hours. But it wasn't because I did not yet know that I was as much the problem as were my would-be executioners.

The fact was, metaphor and reality had been at odds from the very beginning. The Reagan Revolution had never been any more real than the Judas thesis or the woodshed story.

Revolutions have to do with drastic, wrenching changes in an established regime. Causing such changes to happen was not Ronald Reagan's real agenda in the first place. It was mine, and that of a small cadre of supply-side intellectuals.

The Reagan Revolution, as I had defined it, required a frontal assault on the American welfare state. That was the only way to pay for the massive Kemp-Roth tax cut.

Accordingly, forty years' worth of promises, subventions, entitlements, and safety nets issued by the federal government to every component and stratum of American society would have to be scrapped or drastically modified. A true economic policy revolution meant risky and mortal political combat with all the mass constituencies of Washington's largesse—Social Security recipients, veterans, farmers, educators, state and local officials, the housing industry, and many more.

Behind the hoopla of the Kemp-Roth tax cut and my thick black books of budget cuts was the central idea of the Reagan Revolution. It was minimalist government—a spare and stingy creature, which offered even-handed public justice, but no more. Its vision of the good society rested on the strength and productive potential of free men in free markets. It sought to encourage the unfettered production of capitalist wealth and the expansion of private welfare that automatically attends it. It envisioned