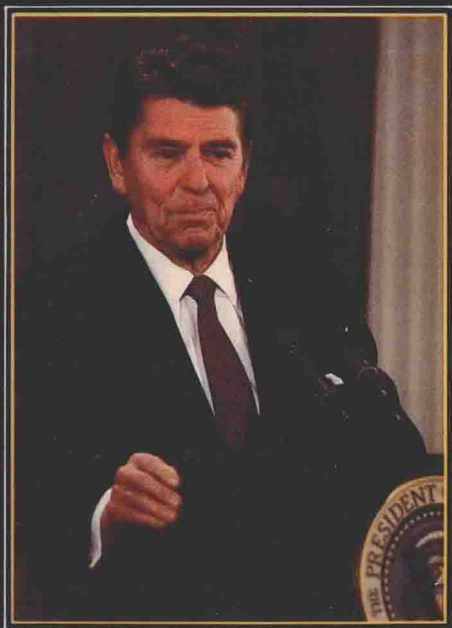


UPDATED FOR THE 1984 ELECTION—  
THE DEFINITIVE, HEADLINE-MAKING BOOK  
ON THE REAGAN PRESIDENCY

# GAMBLING WITH HISTORY

## REAGAN IN THE WHITE HOUSE



**LAURENCE I. BARRETT**

WHITE HOUSE CORRESPONDENT, *TIME* MAGAZINE



# Gambling with History

RONALD REAGAN IN THE WHITE HOUSE

Laurence I. Barrett



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PENGUIN BOOKS

GAMBLING WITH HISTORY

Laurence I. Barrett, a journalist of twenty-five years' experience, covered his first national campaign in 1964. He is now the Senior White House Correspondent for *Time* magazine.

*Also by Laurence I. Barrett*

**THE MAYOR OF NEW YORK**

For Adam, David and Paul—good friends as well as sons—  
and for Paulette, the best friend of all, always

## Author's Notes

When I first mentioned to President Reagan in September 1981 that work on this book was well underway, his initial reaction was to roll his eyes toward the cloudless sky. "Another book?" More demands on his time. It took him only a moment or two to get past that tedious aspect of the venture. He asked a few questions about publication plans. "Let's see," he said, "by then we'll have the budget balanced. Inflation will be under control. Interest rates will be down. The Russians will be behaving themselves. The thing in Poland will be solved." Then he paused, enjoying the buildup to a typical Reagan punch line. "That's just Chapter One." He slapped his thigh, flashed that marvelous, lopsided, life-is-wonderful grin, and winked in a conspiratorial way as a couple of other reporters ambled over to the patio of the White House tennis court.

Events dictated different ingredients for the first chapter and several others, though he went two out of five in his mock predictions. Assorted difficulties were already beginning to crowd the Reagan White House on that relaxed Sunday afternoon. Some would worsen over the next fifteen months, as my research and writing continued. Midway through Reagan's term—perhaps his first term, perhaps his only one—it was still not clear whether his presidency would join the succession of political failures that had begun with Lyndon Johnson, or whether he would reverse that trend. The political court of 1984 may exalt him as an Eisenhower or condemn him as a Hoover.

While I'm as fascinated by that verdict as the next fellow in my trade, predicting it was neither the original purpose nor the outcome of this work. Rather the goal was to describe and assess this unusual Pres-

ident's first two years in the White House. Because of how he works and what he set out to do, this assignment inevitably led also to an attempt at what might be called ideological biography of the principal character, and close scrutiny of a few of the people at his elbow.

In writing about so controversial a President, a journalist is bound to evoke disagreement from many readers. In depicting "inside" scenes and treating some of the players' motivations, one is likely to raise questions about methodology (not to mention credibility). Because of these factors, and because many in the audience regard White House reporters as unrelenting partisans, pro or con, it is appropriate to describe briefly my own views, the genesis of this book and how I went about it.

Most of my twenty-five years in newspaper and magazine journalism have been spent examining politicians and their works. Like most others with that résumé, I have followed the route from city hall to state house to Washington, dividing my time as reporter, writer or editor between the politics of elections and the politics of governance. Both ends of that unbreakable American chain fascinate me still. More out of temperament than conscious choice, I have avoided personal commitment to party or specific doctrine since the day, nearly thirty years ago, when a pro-McCarthy majority drove a few of us "progressives" out of the New York University Young Republican Club.

I've never believed, however, that a journalist can really be "objective." To carry that off requires a suspension of judgment beyond the ability of most of us. We can, with effort, be informed aliens monitoring the process, the practitioners and the product through the lens of our own understanding. To be detached from the factions and personalities we write about is necessary. To claim we ignore our own backgrounds and prejudices is pretense. While covering the Goldwater campaign I respected the man and feared his ideas. Reporting on Jimmy Carter's White House, I found myself to the right of it on most issues. With candidate, later President, Reagan, the opposite juxtaposition has usually been the case. Nonetheless, a few of Reagan's basic policies seem to me necessary, albeit unpalatable. Some of his peripheral ideas strike me as either inequitable or inane or both.

Reporters are forever discovering that the public leaders they cover are complicated individuals with internal contradictions. In other words, those in power are like the rest of us, except that their ambiguities can affect the commonweal. Reagan, though a simpler man than most of his predecessors—in both the positive and negative senses of that adjective—has his share of inner paradox. Those whose jobs take them close to a President are frequently asked whether they like the man. The question makes me uncomfortable; when you like someone



you too easily discount his flaws. I usually fudge the response. That is particularly difficult to get away with in the case of Reagan because of his nice-guy manner. It is common these days for commentators to trash Reagan's policies, intellect and lifestyle, then to conclude, for the sake of balance, with the observation that he is a decent, charming person. If the first is accurate, the second is irrelevant, even dangerous.

I got to know him well during his 1980 campaign, nearly all of which I covered for *Time*. Intrigued by his views, I repeatedly interviewed him and others about the origin of his ideas. Immediately after the election, I wanted to do a book on that relatively narrow subject. Circumstances dictated otherwise. Later, in close consultation with Sam Vaughan and Lisa Drew of Doubleday—both of whom participated fully in the conception, but are herewith absolved of responsibility for the offspring's quality—I began this larger venture.

Obviously it would not have been possible without a degree of cooperation from the Reagans and some of the President's senior assistants. Several staff members, as a group, agreed that they would assist me in the reconstruction of certain policy decisions. They in turn encouraged a few others to be helpful. Many conversations took place a week or more after the event described, so that the research was segregated from my continuing work as *Time's* White House correspondent. In addition, I was allowed to attend a number of the meetings normally closed to the press.

We had a clear understanding from the outset, however, that this was in no way an "authorized" book, and that the judgments of policies and individual performances could well be adverse. Reagan's principal subordinates were aware of my approach to issues through my magazine work and many conversations during the campaign and the first few months of the Administration. My commitment was to do a serious, balanced account of their two years in power, with the scales remaining in my hands alone. To their credit, the Reagans themselves and several of their associates continued to cooperate even after the tensions and letdown of the second year set in.

Nonetheless, the arrangement from the beginning was insufficient for the needs of this book. Documentary material—particularly that bearing on national security affairs—was not made available to me on a regular basis. While some of the private meetings were fascinating, I could never be certain how my presence was affecting what was said. Thus it was necessary to reach far beyond the top eight or ten members of the President's staff. Eventually I interviewed some sixty individuals in the White House, several of the executive departments, in Congress and elsewhere. A number of them made themselves available at short

intervals over eighteen months. Some sources must remain anonymous, others are quoted at length.

In the relatively few instances in which I was present at a scene described in the book, the account indicates that. Much more frequently, I have relied on the notes and recollections of certain participants. In nearly all of these cases I was able to get corroboration from a second source. On a few occasions when only two or three persons participated in a noteworthy encounter and their accounts to me contained contradictions—such as the final two conversations between Alexander Haig and the President—I have simply reported the differences. I have avoided the technique of “synthesizing” situations. Where I thought it reasonable to include my own insights or suppositions, the reader will find them identified as such. In providing the evolution of some of Reagan’s views, and in the profile sections, I relied heavily on my reporting during the presidential campaign. Portions of this appeared in *Time*, as indicated in chapter notes or the text. Much of this material was not published during 1980; a reporter rarely has the space or time to print all he would like on a daily or weekly basis. That is half the reason why we write books.

The cooperation of several of my *Time* colleagues was vital to this work throughout. Henry A. Grunwald, Time Inc.’s editor-in-chief; Richard Duncan, chief of correspondents; and Ray Cave, the magazine’s managing editor, allowed me to wear two reportorial hats for a year. Then they permitted me six months of liberty in a busy season so that I could finish the task.

Fellow members of the magazine’s Washington Bureau were extremely generous with moral and intellectual support. Of particular assistance when spirit flagged or insight dimmed were Robert Ajemian, Strobe Talbott, Douglas Brew, John Stacks, David Beckwith and Cassie Furgurson. Lissa August provided research assistance, along with the patience and good humor that are as essential to this kind of enterprise as legible notes. Marcia Baggott served tirelessly as typist and indulgently as spelling consultant. To these associates and to several personal friends who helped fight off the anxiety attacks that often accompany the writing of books, I owe more than I can easily repay.

# Introduction to the Penguin Edition

*Reagan luck.* You heard that phrase frequently in Washington during the winter of 1983–84, particularly from Ronald Reagan's critics. Many of them still could not comprehend Reagan's resilience, personal and political. Nor could they concede that this elderly gent whose attainments upon taking office were so modest by the standards of the Bos-Wash axis was actually contributing heavily to his own survival in the White House.

That several crucial events and trends broke in his favor could not be denied. Out of the debris of the 1981–82 recession, which Reagan's policies had worsened, a recovery was blooming. The internal dynamics of the rebound were inconsistent with the early promises of Reaganomics. Rather than following the supply-side model and bringing with it stability and heavy capital investment, the 1983 recovery bore a suspicious resemblance to an old-fashioned Keynesian boom. It was fueled by consumer spending and accompanied by renewed dangers of a bust. Yet Reagan was getting credit for the return of good times.

The vagaries of the international oil market, together with the recession, had quelled inflation, scoring more political points for the President. He also reaped benefits from the bizarre invasion of Grenada, a little adventure made possible by fratricide within the island's Marxist government. In the really crucial aspects of foreign affairs, such as dealing with Moscow, the Reagan Administration was frozen in perilous deadlock. The Soviet Union, however, gave credence to Reagan's hard-line approach by shooting down Korean Airlines flight 007 and perpetrating other blunders. Early in the new year, Yuri Andropov's death created at least the appearance of an opportunity for renewed

negotiation. The White House suddenly could consider an election-year summit meeting between Reagan and Konstantin Chernenko.

You could not, then, dismiss the "luck" formulation as merely the whine of sour-grape peddlers. But it was also true that Reagan frequently made his own fortune, or deftly exploited serendipitous events. He retained the selective will to fight hard only on the relatively few issues that meant much to him. So the citizenry knew where he stood—and where he would stand tomorrow—on the big ones. And he had the dexterity to move quickly when opportunities summoned him. For instance, Reagan leaped onto Jesse Jackson's publicity wagon when the preacher-politician extricated an American naval officer held prisoner by Syria. Reagan not only seized a slice of the glory; he also used the occasion to make a peace overture to the Syrian regime. As he had in so many other situations, Reagan snatched another little victory from a bleak situation in the endless battle of perceptions.

This pattern, like others, had been clearly established during Reagan's first two years in the White House. When I completed the original edition of *Gambling with History* in early 1983, the nation's economy—as well as the Administration's political standing—was just beginning an ascent from a very deep trough. It was still fashionable then to predict that the Administration might yet "unravel," to use one of the favorite clichés of my trade. Well into the third year there was still a fair amount of money around town, in hard coin and soft punditry, betting that Reagan would quit after one term.

My own wagers went the other way on both the unraveling and the reelection questions. Like any journalist, I should like to ascribe this to prescience about the economy and other issues. In fact, I hung myself out to dry on the last page of this book with a prediction that Reagan would run again for one primal reason: the man, in his own quite particular way, is a stubborn idealist. There were several rational arguments in favor of his voluntary retirement, including his age and the very large difficulties that would confront him if he won in 1984. If Reagan could have been swayed by such considerations, he would not have run in 1980. Nor would he have governed the way he did, with such damn-the-torpedoes doggedness, in 1981–82.

Covering him for a few years and studying his earlier history led me to one inescapable conclusion: as long as his health permitted, Ronald Reagan would play out his hand to the end, blithely confident that the next card to turn would give him the game. He seemed to know the stakes and be certain of his strategy.

Illusion or reality? Was he really that confident of his script after experiencing several rude shocks in office? Was he blind to the huge risks he was running both in economic and in foreign affairs? That was

difficult to figure. Reagan had, as the presidential scholar James David Barber observed, a "propensity to be more interested in theatrical truth than in empirical truth." That could be a frightful weakness in formulating policy on complex issues; some of his decisions concerning the budget deficit and arms control negotiations demonstrated the price of that flaw.

The theatrical mode was of great help, however, in the exercise of leadership, defined here as the creation and maintenance of a working consensus supporting the changes Reagan wished to make. He continued to hone his ability to reduce the dangerous and the abstruse to commonplace images. One classic exercise of that talent appeared in his speech on U.S.-Soviet relations delivered January 16, 1984. Dealings between the two countries were at a nadir and Reagan was attempting to sound constructive if not quite conciliatory (he still blamed the Soviets for all the basic problems). At the end of his talk he created a little word drama about an American and a Russian couple meeting by chance, Jim and Sally, Ivan and Anya. Of course they discover that they have much in common.

"Above all," Reagan concluded, "they would have proven that people don't make wars." While this had nothing to do with the new nuclear missiles being deployed by both sides, or with the suspension of arms control negotiations, it had a great deal to do with Reagan's ability to sustain domestic support for his overseas policies. With such homilies, Reagan blunted accusations that he was a thermonuclear cowboy who had to be hobbled.

Reagan's narrative approach to governance was also of great assistance to a writer trying to do a book of more than ephemeral value just two years into an Administration. By the beginning of the fourth year, of course, many new facts had accumulated and some of the supporting characters either had changed roles or left the stage entirely. Unemployment was down, the deficit was up. In Lebanon, American and European blood mixed with that shed by native and neighbors' sons. In Geneva, the negotiating salons went silent. In Central America, fears of new war and hopes for genuine peace played musical chairs to a faster beat.

In the White House, several of Reagan's senior advisers departed, while among the survivors power ebbed and flowed. The change in the public's view of all this was best summarized in a *Washington Post*/ABC poll published January 19, 1984. A year earlier, when the same survey team had asked Americans if the Reagan presidency had made "things" better or worse, the response had been negative by a decisive margin of twenty-eight points. Now, in the first month of the election year, the same question produced an exact tie. That result, together

with piles of other data from both public and private polls, showed the extent of Reagan's political recovery.

Nor did the subplots change materially. A chapter begun in 1984 on the Administration's "sleaze factor" would add a few fresh instances of ethical lapses, but the quality of the new cases would be remarkably similar to the old ones. A new look at the Administration's relations with black and feminist organizations would show additional points of tension growing from the same fundamental differences obvious in 1981-82. Dealings between the Reaganauts and the journalists covering them became more acidulous as the Administration's deep distrust of the press became ever more apparent.

These changes were evolutionary. The trendlines, including the one indicating Reagan's political recuperation, had been visible by early 1983. Further, Reagan's fidelity to his script remained a reliable guide to how he would react to evolving events. His strength as an advocate, his grit as an ideologue, his limitations as a thinker, his flaws as an administrator, his optimism as a small-town boy who had risen as high as the most fanciful Hollywood scenario could take its protagonist—all these and still other attributes remained as unaffected by the presidency as the man's physical appearance. Above all, Ronald Reagan was still a gambler, willing to take large chances in order to carry out his vision at home or to assert U.S. will abroad.

The most obvious risk in the domestic sector was Reagan's willingness to incur the largest deficits in history for yet a while longer rather than give back some of the tax reductions that were the stoutest pillar of Reaganomics. Not that he was alone in this defiance of the normal laws of economics; Congress could muster neither the unity nor the courage to engage in a comprehensive compromise that would have to include spending reductions as well as revenue increases.

The danger built into this deadlock was quite clear. Deficits in the \$200-billion-a-year range could, by late 1984, begin to throttle the recovery by pushing interest rates up still further. By historic standards, the cost of borrowing money had remained relatively high even as inflation came under control. That in itself was having distorting effects, forcing up the dollar's value artificially in relation to most other foreign currencies, thus chilling U.S. exports. Further, the cost of servicing the ever-expanding national debt was making a fantasy of any hope of approaching a balanced budget in the 1980s.

Reaganomics had contributed heavily to construction of this trap, as some of the President's own advisers were willing to concede privately. They would press, just as privately, for a presidential initiative in late 1983 working toward a solution. But the aides themselves were divided, and in any event Reagan would have none of it, not yet. He would concede only that at some later point a revenue increase would

be necessary. That covert signal itself was a breakthrough; Reagan was finally abandoning the idea that lower tax rates combined with the recovery would generate enough income to make the deficit manageable. But he would not act on that realization in the winter of 1983–84.

Preparing for his 1984 State of the Union message, Reagan fended off several proposals for grappling with the revenue shortfall. Desperate to have him say something constructive on this subject, his advisers on the eve of the speech came up with a political ploy rather than a fiscal policy change. Reagan told the Congress and the country that a bipartisan panel should start immediately to bargain out a “down payment” on the deficit. He argued that \$100 billion could be saved over three years without tampering seriously either with his military buildup or his tax act. “We had to do something,” one of the authors of the scheme told me, “to put the burden on the Democrats where the deficit was concerned.”

Having been outflanked so often before, the Democrats were appropriately leery. Bipartisanship in this case meant sharing the blame for Reagan’s deficits. The dickering will surely go on into the spring and summer, with only one certainty: real resolution of the fiscal crisis will have to await the election returns.

Meanwhile, the same speech delineated Reagan’s overall campaign theme. “America is back,” Reagan said that night, “standing tall, looking to the eighties with courage, confidence and hope.” Reagan took that catchphrase on the road, using it successfully on political audiences. He calculated that the country was still in the mood for his brand of optimism, still receptive to his tributes to American particularity.

He had enlivened his 1982 State of the Union speech by introducing Lenny Skutnik, a government worker who had helped rescue victims of an airliner crash. For this 1984 address Reagan used as a bit player Sergeant Stephen Trujillo, an Army medic who had performed gallantly during the Grenada invasion. The young soldier sat in the VIP gallery next to Maureen and Nancy Reagan while Reagan applauded him. The symbolism was marvelous on several counts: the hero in question dealt in first aid rather than firepower; at the same time he was a reminder of renewed American military prowess and the successful Grenada adventure; that he was also of Hispanic descent made yet another point. Reagan as casting director always chose his heroes well.

And Reagan also had a sense of subjects to play down. When he spoke to the nation on the night of January 25, he knew that he was politically vulnerable to the charge that he had become reckless in foreign affairs. Having little that was promising to say about Lebanon, Central America or Soviet-American relations, he kept those passages both vague and short. In a *Time* interview two days later, he told my colleague Douglas Brew and me: “Could I bluntly say that I think that

those who for political reasons profit by that misperception [concerning his foreign policy] . . . maybe have more access to media channels than I do?" For the most effective presidential advocate since F.D.R. to complain that the press was jamming his message seemed disingenuous, to put it charitably. Whenever the politician overcame the gentleman in Reagan, it was a sign that he knew he was in difficulty.

The bridge between Reagan's fiscal policies and his approach to national security affairs was the defense budget. He clung more stubbornly—and more successfully—to this goal than to any other on his original agenda, despite the impact on the deficit. A refurbished military establishment, with new nuclear weapons systems, remained central to his theory on how to deal with the Soviet Union. Once Moscow realized that it would face a heavily rearmed America, he firmly believed, it would become more cautious in its foreign policy and more interested in serious negotiations. Further, the arms program would allow him to bargain from a strong position. At the end of the third year, after Congress had approved virtually every major item on the military shopping list, Reagan felt that he could moderate his message to Moscow.

"Yes, we are safer now," he said in his Sally-Anya speech. "But to say that our restored deterrence has made the world safer is not to say that it's safe enough . . . deterrence is not the beginning and the end of our policy toward the Soviet Union. We must and will engage the Soviets in a dialogue as serious and constructive as possible—a dialogue that will serve to promote peace in the troubled regions of the world, reduce the level of arms and build a constructive working relationship."

From the beginning this policy too had been a gamble, an assumption that the Soviets would negotiate on the arms issue and others rather than answer with a new round of competition. At the beginning of 1984, Reagan had by no means won this bet. The Soviets were responding to his determination with stubbornness of their own, matching the Americans deployment for deployment.

In the two most volatile regional cockpits, the Middle East and Central America, the Soviets continued to support and supply America's adversaries. Both of those arenas tested Reagan's mettle to the utmost. During the first two years, domestic affairs had consumed most of the Administration's energy. Thus its policies toward Central America and the Middle East had been allowed to wobble—an error that was proving very costly in the second half of the term. Reagan remained intelligently reluctant to commit American ground combat units in either sector, but at the same time he insisted on maintaining American influence in both areas.

These twin dilemmas seemed immune to early resolution. Each also



threatened to deteriorate in ways that would damage American interests and American allies, as well as Reagan's political standing. What could be said with certainty was that Reagan was willing to invest political capital to demonstrate that Americans had survived the Vietnam syndrome; the nation was once more willing to use force overseas, at least cautiously in selective situations, as a superpower must. But whether Reagan could do this effectively on a sustained basis, whether he could maintain sufficient domestic support for an indefinite period, whether he could be skillful in blending diplomacy with military measures—these crucial questions still lacked conclusive answers as the election season added spice and complexity to the asking.

Reagan himself was delighted to add a pinch of dramatic suspense. Throughout the summer and fall of 1983, his advisers nattered at him, even prodded him occasionally in public statements, to announce his candidacy and be done with it. No, Reagan teased, he hadn't really decided. "The people tell you if you should stay or go home," he liked to say.

While there were practical arguments in favor of an early declaration, the demands of political theater dictated otherwise—and so did Reagan's sense that on important personal decisions he, rather than his counselors, should have the final say. Besides, his way allowed for more fun. In Atlanta the day after his State of the Union address, a Republican audience chanted, "Four more in eighty-four! Four more in eighty-four!" Watching Reagan at the lectern from a distance of just a few yards, I could see the sheer pleasure of the moment capture his face. "I'll take that under consideration until Sunday night," he told the crowd. And later, in response to another demand: "Tune in Sunday night! Don't miss it!"

His campaign organization had purchased just five minutes of network time on the evening of January 29. Elaborate plans were made for hundreds of Republican leaders to descend on the White House earlier that Sunday, and Reagan supporters around the country scheduled communal viewing sessions to hear the formal declaration of a reelection campaign that in fact had been well underway for months. Reagan did not disappoint them.

His brief talk from the Oval Office that night was a glowing tribute to his own record and to the citizens, whom he called "the real heroes of American democracy." He saved the hard news for the penultimate paragraph, insulating his reach for a second term in the wadding of humility:

This historic room and the presidency belong to you. It is your right and responsibility every four years to give someone temporary custody of this office and of the institution of the presidency. You so honored me, and