

THE AGE OF REAGAN

*The Conservative Counterrevolution
1980-1989*



Steven F. Hayward



The Gipper

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Introduction

For today's program, let me start by acknowledging a trick of the conservative and free-market think tank trade. If you're ever interested in getting about 100 or so of your closest pals to join you enthusiastically for lunch, just arrange for somebody really good to talk about Ronald Reagan, and everyone will be there, regardless of whether WCCO radio says, "There's going to be a blizzard in the afternoon." We've done it several times now with terrific writers like Larry Kudlow, Dinesh D'Souza, Peter Robinson, and Dr. Hayward himself in the past. Suffice it to say, the deal has worked perfectly every time, as fascination with President Reagan may have grown rather than diminished in the years and decades since he held office.

With such a noontime track record, you might ask, "What especially commends today's session on one of the most significant presidencies in the life of our nation?" What distinguishes today's gathering is that Dr. Hayward has written a book about Ronald Reagan that is at once uncommonly comprehensive and equally nuanced. A big book in multiple senses of the term, it is direct and well grounded in its admiration, as well as direct and fair in its criticism of its no less-complex than straightforward subject. In other words, Dr. Hayward has written a masterwork that's no less important than a wonderful read.

Steve Hayward is the F. K. Weyerhaeuser fellow at the American Enterprise Institute in Washington, DC and a senior fellow at the Pacific Research Institute in San Francisco. In addition to owning more frequent flyer miles than almost anyone I know, he is also one of the *scariest* writers I know—this is a compliment, by the way—as I know of hardly anyone nearly as prolific. In addition to Ronald Reagan and a seeming 101 other policy and political topics, he has also written books about Winston Churchill and Jimmy Carter, and he is the co-author of the annual *Index of Leading Environmental Indicators*—with a notable Minnesota-focused iteration in the series long ago researched and written in collaboration with American Experiment policy fellows Peter Nelson and David Riggs. Father of two young children and husband of a law professor at George Mason University, he did his undergraduate work in business at Lewis and Clark College and his master's and doctorate in government and American studies, respectively, at the Claremont Graduate School.

Mitch Pearlstein
Founder & President

American Experiment Luncheon Forum
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Steve Hayward: As Mitch mentioned, this is actually volume two, although, it's a stand-alone book. It's not like *Lord of the Rings*. You don't have to read the first volume, *The Age of Reagan: The Fall of the Old Liberal Order*, to appreciate it. This is a complete history of the Reagan presidency from Election Day of 1980 to his leaving office, and a few events afterwards.

Why would I do something so unorthodox and unconventional by modern publishing standards as to write a large, two-volume narrative history? It's almost never done anymore. Second, why would you do so about Ronald Reagan, about whom you would think there's plenty known already, with events thoroughly understood by this point?

The reason I first set out, more than ten years ago, to write at length about Reagan was that I was sure, twenty years ago as he left office, and even as recently as ten years ago, that Reagan would end up being *Coolidge-ized* rather than eulogized. I thought Reagan would share the fate of that once popular Republican president Calvin Coolidge, whom Reagan greatly admired. Coolidge was made into something of a laughing stock by a generation of partisan historians who ridiculed him unfairly and wrongly. I was sure Reagan would meet the same fate at the hands of the media/academic complex.

Yet along the way, especially in the last decade, something quite surprising and unexpected happened. Reagan's reputation started to soar. Even more, liberals started to like him—not all liberals, of course, and not all of Reagan, and that's an important point. At the same time, a lot of conservatives came to over-romanticize Reagan and look at him through too much of a superficial or gauzy lens.

As I was finishing the manuscript a year ago, I made a number of revisions to the historical record, bringing back some things that had been forgotten. I also tried to make us think more deeply about aspects of Reagan that we've forgotten but which are important and relevant today. That's why I thought there was still a need for a broad-gauged narrative.

Above all, the liberal writers, especially, who've written about Reagan—this would include Sean Wilentz, Richard Reeves, John Patrick Diggins, even Douglas Brinkley—tend to look at only the foreign policy story in their positive assessments of Reagan. They have come to recognize and praise Reagan's role in ending the Cold War; although, as I'll say in a moment, they really don't get it right. Nonetheless, that represents a change from 20 years ago when, for instance, *Time* magazine wanted to give 100 percent of the credit to Mikhail Gorbachev and none of the credit to Reagan.

Apart from the Cold War, for liberals it is still axiomatic that the Reagan story on domestic policy was either a fiasco or a disaster. That seems to be the theme of every other Paul Krugman column; he's still at war with Reagan from 25 years ago. Then there's the Iran-Contra scandal, of course, which must be dealt with and thought about. I think, by the way, all this parallels a lot of the historical judgments of Winston Churchill, whose pre-World War II career was often judged superficially as having been a disaster, which is a mistake.

But above all, these treatments of Reagan in regards to the Cold War by liberals abstract him from his ideology. They try to make a break between Reagan and his principles, and that's an interpretive mistake. It's analogous to that great line from G. K. Chesterton, of trying “to tell the story of a saint without mentioning God.”

I think there are three or four important revisions in my new book, but the main one is this: What the book seeks to do is reestablish a fundamental unity to Reagan's statecraft. In other words, we need to evaluate Reagan's domestic policy and foreign policy *together*, because Reagan saw them as a unity, which I'll explain in a moment.

The Unity of Reagan's Statecraft

Lincoln used to say all nations have a central idea from which all their minor thoughts radiate. I think the same thing is true of leading statesmen. Reagan's central idea in one sentence can be summarized as

the view that *unlimited* government is a threat to individual liberty both in its vicious forms, like totalitarianism, but also in its supposedly benign forms, like bureaucracy. He articulated this theme on several occasions throughout his long career. My favorite was his great speech at Westminster Hall in London in 1982. That was the one where he began his wonderful rhetorical larceny of the lines of Lenin, where he said it was communism that would end up on the ash heap of history and that, even then, it's first sad, last chapters were being written—a speech that raised hackles both in the Kremlin and on the *New York Times* editorial page.

By the way, one of the subtexts of the book is that it was very hard to tell the difference between *Pravda* editorials and *New York Times* editorials during the Reagan years. It was amazing. In fact, most of the time when *Pravda* wanted to criticize Reagan it would simply quote the editorials of western newspapers. Our newspapers did all their work for them.

In the course of that speech, Reagan said this:

[T]here is a threat posed to human freedom by the enormous power of the modern state. History teaches the dangers of government that overreaches—political control taking precedence over free economic growth, secret police, mindless bureaucracy, all combining to stifle individual excellence and personal freedom.

Notice the conflation in the middle of that sentence of secret police and mindless bureaucracy. What the Soviet Union had was the secret police, right? We have the DMV. Now, I'm exaggerating a bit. While we don't have secret police and we don't have gulag camps in this country, in important ways we're nonetheless governed like a one-party state in that we have things which no politically accountable body, elected by us, has voted for but which the government does by bureaucratic dictate. That's a serious constitutional problem, as Reagan recognized. That conflation of secret police and mindless

bureaucracy was not a mere one-off by Reagan or a speechwriter. Reagan made it clear in the next sentence of that speech when he added something else. Remember his audience: He was at the British House of Commons, where Margaret Thatcher was down in the polls in 1982, the Labour Party was still very much on the far left and feeling very restive, and there were protests against Reagan and his missile deployment plan set for the following year. Reagan said this:

Now, I'm aware that among us here and throughout Europe there is legitimate disagreement over the extent to which the public sector should play a role in a nation's economy and life.

I'll pause here in the middle of that to say that the subtext to that sentence is, "I know you all here aren't as freedom-loving as me and Maggie." Then he finished the sentence by saying:

But on one point all of us are united: our abhorrence of dictatorship in all its forms

One of the other things I try to do in this book, and it accounts for part of its size, is to address the domestic policy story of Reagan, which has been neglected even by a lot of conservative writers. Most of the best conservative books about Reagan tend to be about the Cold War story and to a lesser extent, about the tax cuts, which are quite important. But there are lots of other important parts to it. The domestic policy story is a lot harder to tell in narrative form, because it's more diffuse. It takes in a wider range of things. The balance sheet is more mixed. Reagan had some wins; he had some losses. He had a lot of ties. But above all, it doesn't have the same human drama as the Cold War or, as I put it early in the book, "Reagan never stood outside the Federal Trade Commission and said, 'Mr. Regulator, tear down this rule,'" although he very much had that attitude, of course.

Above all, when considering both domestic and foreign policy, we want to see if we can explain or understand some of Reagan's *seeming* contradictions.

I say seeming contradictions, because when you think about them harder they are not. For example, about the Soviet Union, it's said, "He talked tough about the Soviet Union in the first term"—that was the first-term Reagan of the "evil empire"—but in his second term "he became a Peacenik and a late convert to détente."

It's true that a lot of conservatives were very upset with Reagan in 1987 and 1988 and thought he had given in to Gorbachev's charm. On the domestic scene, it was pointed out by a lot of conservatives at the time that, yes, we got the income tax rate cuts of 1981, but Reagan agreed to tax increases of one kind or another, small ones, almost every other year of his presidency, as part of the annual budget fight. There were other things that people pointed to at the time, like import restraints on Japanese automobiles, which no free-marketer can point to with pride.

But I think the useful refraction on all of these aspects of Reagan comes to us from Churchill. Churchill wrote a wonderful essay in the late 1920s called "Consistency in Politics." I want to quote one paragraph to you. I think it puts the right frame for understanding these things.

[A] statesman in contact with the moving current of events and anxious to keep the ship of state on an even keel and steer a steady course may lean all his weight now on one side and now on the other. His arguments in each case when contrasted can be shown to be not only very different in character, but contradictory in spirit and opposite in direction: yet his object will throughout have remained the same. His resolves, his wishes, his outlook may have been unchanged; his methods may be verbally irreconcilable. We cannot call this inconsistency. In fact, it may be claimed to be the truest consistency. The only way a man can remain consistent amid changing circumstances is to change with them while preserving the same dominating purpose.

To restate what I said earlier about Reagan's central

purpose, his dominating purpose was to shrink the federal government, as he put it in his first inaugural address. In foreign policy, his dominating purpose was to put communism on the course of ultimate extinction, to paraphrase Lincoln's phrase about slavery. I think most of Reagan's course corrections can be explained in understanding changing circumstances as he steered the course toward his dominant purpose.

So, for example, his agreement at length to raise taxes in 1982—albeit not income taxes, which is what Democrats and a lot of Republicans always wanted to do throughout his presidency—by \$98 billion over three years upset a lot of conservatives. But the deal—if you remember this—was that for every dollar of increase in taxes, Congress would deliver three dollars in spending cuts. This was at a time when deficits were exploding and the economy was in bad shape.

Think of this from Reagan's point of view: He was making a fiscally "responsible" change in the tax structure at the same time he was shrinking the government—if Congress had lived up to that deal. This was the one deal that Reagan most regretted later in his presidency—the single biggest mistake he made, he said—because Congress, instead of cutting three dollars of spending, *increased* spending by a dollar and fifteen cents for each additional dollar of tax increases. So that deal didn't work out very well for him. But that's only something you can see in retrospect. In prospect, that looked like a deal consistent with his principles.

The story in foreign policy is similar. Even conservatives were worried about Reagan in the second term. My favorite example was George Will who, on the day Reagan and Gorbachev signed the first missile agreement in December 1987 in Washington, wrote in his column: "Future historians will mark today as the day the West lost the Cold War." Will wrote several other things in this vein. He said, "Reagan"—whom Will was very close to personally, by the way; he lunched with him often—"is guilty of elevating wishful thinking to the status of a political philosophy in his dealings with

Gorbachev.” I’ve asked George about both of those comments and several others, and to his credit he replied, “I was wrong. Ronald Reagan knew even more than I thought he did.”

Godfather of Diplomacy

We should think a little bit more about the surface phenomenon to which I’ve referred. Reagan in the first term was the Reagan who gave the lie, cheat, and steal remark in his first press conference that appalled his own foreign policy team and really upset the Soviets. We’re all familiar with the evil empire speech, of course.

Then, there’s one of my favorites. In a letter he wrote to a friend in 1983, Reagan makes this very interesting statement: “I have never believed in any negotiation with the Soviets that we could appeal to them as we would to people like ourselves.”

I’ll pause here. He’s saying they are not normal people, so he doesn’t try to appeal to them like people like ourselves. To continue:

Negotiation with the Soviets is really a case of presenting a choice in which they face alternatives they must consider on the basis of cost. For example, in our arms reduction talks, they must recognize that failure to meet us on some mutually agreeable level will result in an arms race in which they know they cannot maintain superiority. They must choose between reduced equal levels or inferiority.

That’s almost *Godfather*-like talk. I’m going to make you an offer you can’t refuse. Actually, he did think of it this way: “A nice little economy you have there, Mr. Gorbachev. Do you want to see it keep getting smaller?”

That was a deliberate aspect of American policy. There are some great stories about this. Even into the 1980s, the CIA was still getting things wrong about the Soviet Union. My favorite example is in 1986, when the CIA’s world assessment concluded that real per capita income in *East* Germany

was higher than real per capita income in *West* Germany. Daniel Patrick Moynihan said shortly after that, “Any taxi driver in Berlin could have told you that was nonsense.” But the CIA didn’t employ any taxi drivers in West Berlin. They had graduates of Ivy League schools who thought it was perfectly plausible for a communist economy to deliver a high standard of living.

One of the persons who never believed any of that was Ronald Reagan. He understood that communist countries were dangerous because of their weapons and dysfunctional because of their Mickey Mouse economies. That’s why he would collect jokes to tell to Gorbachev that I’m sure infuriated him. There’s a whole bunch of these.

“I hear jokes about you, Mr. Secretary, by your own citizens. There are two guys, for example, in a long line to buy something. One says, ‘This is intolerable. I’m going to go shoot Gorbachev.’ Five minutes later, he comes back. His friend says, ‘How come you’re back so soon?’ He says, ‘The line to shoot Gorbachev was even longer.’” Reagan would tell these stories to Gorbachev, who would smile through gritted teeth. This was part of Reagan’s way of throwing him off stride.

Reagan was saying in his letters, “We’re going to drive a hard bargain with these guys. We’re going to call them the evil empire. We’re going to squeeze them very hard economically.” On the other hand, in April 1981, when he was recovering from his shooting, he wrote a long handwritten letter to Leonid Brezhnev that is astonishing for its sentimentality. I’ll just give you one paragraph from it:

Is it possible, that we have permitted ideology, political and economic philosophies, and governmental policies to keep us from considering the very real, everyday problems of our peoples? Mr. President, should we not be concerned with eliminating the obstacles which prevent our people from achieving their most cherished goals? And isn’t it possible that some of these obstacles are born of government objectives which have little to do with the real



need and desires of our people?

That letter actually alarmed his Soviet advisor, Richard Pipes. Secretary of State Al Haig didn't want him to send it. The State Department draft of the letter—this was in response to a *pro forma* communication Brezhnev had sent—was much tougher. It read much more like what you'd expect from the pen of Ronald Reagan. So they sent both letters, which, I'm guessing, deeply confused the Soviets when they received them.

Then there's another aspect of Reagan that people failed to make out. In an interview late in 1981 that I don't think got much play at the time, which I found while going through all the transcripts of everything he said in office, he told a reporter about the East/West conflict. He said, "I've always recognized that, ultimately, there's got to be a settlement, a solution. If you don't believe that, we are trapped, in the back of our mind, with the inevitability that a conflict is going to end the world." In this, by the way, he's following very closely the views of Churchill, who said, "We have to settle." It was part of his argument at the Iron Curtain speech in Fulton, Missouri in 1946.

By the way, do you remember when Margaret Thatcher said Ronald Reagan won the Cold War without the firing of a single shot? I'm convinced the Iron Lady was recalling the Iron Curtain speech with that comment, because that's when Churchill said, "World War II could have been prevented without the firing of a single shot," if we'd done two things: armed ourselves and stood up to the dictators diplomatically, which turned out to be the Reagan strategy in the 1980s.

The Force of Personality

Now, Churchill and Reagan have another aspect in common. Churchill used to say in the closing weeks of World War II, surveying the problems ahead for Eastern Europe, "If I could just dine with Joseph Stalin once a week, there'd be no problem at all after the war," which is surely wrong, but entirely typical, I think, of people who rise to the pinnacle of

politics. They all tend to overestimate the force of their own personality. I think it explains President Barrack Obama, thinking his charm will melt all things before him. I think it's also true of Reagan. Reagan liked to say from his first days in office, "You know, I look forward to some day being able to sit down with the Soviet Union." He said things like, "Gosh, if I could get the Soviet leader in an airplane or helicopter and fly him over American suburbs to see how Americans live, he'd realize what a Mickey Mouse system they have and why we're going to beat them." I think that overconfidence is a familiar trait, but in the case of Reagan, he ultimately did find in Gorbachev someone he could talk to for real, in those very effective methods Reagan had.

In researching the book, I ended up spending a lot of time reading about Gorbachev and finding translated Russian documents. There are quite a few: cabinet meetings, letters, diaries, and so forth. My summary conclusion about Gorbachev is that he was less Machiavelli than he was Inspector Clouseau when it came to charting a reform course for the Soviet Union, but he did have some genuine liberal instincts and came to recognize that we needed to end the Cold War.

All those who say, "Reagan in the second term was a softie," forget the Berlin Wall speech where he said, "Mr. Gorbachev, tear down this wall." You know, he could have put that in the passive voice. He could have said, "This wall should be torn down someday by someone." He personalized it in an active voice to Mr. Gorbachev—directly against the advice of all his advisers, by the way. As late as March 1988, Reagan was still giving some very tough anti-Soviet speeches here in this country. The media weren't covering them, though. In one speech he gave in Massachusetts in March 1988, he talked about how Jeane Kirkpatrick's analysis of totalitarian and authoritarian governments had been vindicated because we'd seen so many authoritarian governments in Latin America become democracies, and we had yet to see that in totalitarian countries like the Soviet Union. It got covered in a couple paragraphs on page 15 of the *New York Times*. George Shultz showed up the next day in Moscow

to prepare for the June summit, Reagan's fourth summit with Gorbachev. Gorbachev was *infuriated* by the speech, berating George Shultz for this anti-Soviet rhetoric. It turns out what Gorbachev really wondered was, and was saying to Shultz, was, "Is Reagan going to come over here in June and embarrass me on my home court?" Shultz assured him, "No, no; he'll be a perfect gentleman. He'll be a perfectly gracious person." Of course, when Sam Donaldson, the human foghorn, cornered him in Red Square and said, "Do you still think it's the evil empire?" Reagan hesitated and said, "No, that was another time, another place." But on that trip Reagan did make an unscheduled stop in his motorcade to visit Andrei Sakharov, which annoyed the Soviets to no end.

Lessons for Today

I want to go back to domestic policy for a moment because it informs us about what we can take away from Reagan for today. The question I wrestle with at the end of the book is why Reagan wasn't more successful in domestic policy in reducing the size and influence of the federal government. The conclusion I came to—it's an uncomfortable one—is that Reagan was more successful in rolling back the Soviet Empire than he was the domestic government empire because this latter problem is a *harder* one. Indiana Gov. Mitch Daniels, who served as political director of the Reagan White House in the second term, commented like this a few years after Reagan left office:

The Reagan years will be for conservatives what the Kennedy years remain for liberals: the reference point, the breakthrough experience—a conservative Camelot. At the same time, no lesson is plainer than that the damage of decades cannot be repaired in any one administration.

Reagan came to that same conclusion in his second term. He did, in fact, say after he left office that his single biggest disappointment was that he was not more successful in controlling spending and that he

couldn't get the deficits under control; although, in comparison to where we are now, the record looks pretty good. The worst Reagan deficit was six percent of Gross Domestic Product (GDP). Obama is starting at 11 percent of GDP this year, and it will go up from there. That's really staggering.

Especially starting in his second term, Reagan understood we had constitutional problems. Our constitutional structure had decayed after a century of liberal assaults to give us a *living* Constitution. Of course, in one sentence, a "living constitution" means that the written Constitution is dead. So Reagan began arguing for what he called an Economic Bill of Rights, starting in 1987 with a Fourth of July speech at the Jefferson Memorial, in several of his radio addresses, and in several of his speeches around the country.

His Economic Bill of Rights consisted of five constitutional amendments, because he perceived that future presidents might be even less resolved than he was or less successful than he was at controlling spending. The first two were a balanced budget amendment, which he'd always talked about, and a line item veto, which he had talked about from Day One as president. They were in every State of the Union speech. The third was a two-thirds vote requirement for Congress to raise taxes. The fourth was a constitutional spending limit; he didn't specify a percentage, but 20 percent of GDP, or something of that kind. And the fifth was a constitutional ban on wage and price controls.

There are arguments that these are not necessarily good ideas to write into a constitution, but nonetheless, they compel a constitutional conversation about the limits of government. You can easily imagine if any of these were in place today how it would handcuff Obama in his agenda of government gigantism.

In regards to wage and price controls, we tried them in the 1970s. There was virtually universal agreement that they were a failure and couldn't work and shouldn't be tried. Yet here we are in



2009 controlling the pay of bankers and auto executives—maybe rightly if we’re going to give them all that taxpayer money—but, nevertheless, the government is exercising all that power. I’ve been arguing for a while that Tea Party people might want to take up Reagan’s Economic Bill of Rights as their platform. I call it Reagan’s Unfinished Agenda.

To people who say they’d like to follow in Reagan’s footsteps, I say we should recall Machiavelli’s famous counsel: “There’s nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things.”

If there’s ever going to be a sequel to the Reagan Revolution, Reagan’s successors will need to keep that counsel of boldness in mind, along with the need to recall and adapt his constitutional outlook to new times, rather than just his sunny disposition and faith in America, which is what you typically hear from people who say they’re Reagan conservatives.

After his remarks, Dr. Hayward answered questions from the audience.

Pearlstein: That was wonderful. Tell us about the reactions to the book: interesting reactions from the Left, interesting reactions from Right.

Hayward: I haven’t had a lot of reactions from the Left, which surprised me. I got a fairly favorable review in the *New York Times Book Review*, which is never to be assumed, in contrast to the first book, which drew a 5,000 word attack in *Harper’s* magazine, which made my day. Most of the conservatives like it, of course. There are a few people—I won’t mention names because they’re actually friends and acquaintances—who have expressed a bit of a negative note, saying in effect that I’m not a Reagan triumphalist.

I didn’t talk about it today, but I have some very sharp criticisms of Reagan on his handling of the Iran-Contra affair. I think there’s no way to sugarcoat

that. I do explain it in human terms why he made some of those mistakes, but we should not suggest they weren’t mistakes. The point I make is that we should make distinctions between appreciating and understanding Reagan’s greatness, which was profound, but avoiding the temptation to sugarcoat it as Reagan triumphalism.

I think those reviews speak to some of the problems I’m trying to suggest; that we need to be honest even about what was less successful and why. Otherwise, we’re not going to make any progress now.

Jim Martin: Can you speak anecdotally or otherwise to the common critique of Reagan that he was well into his dotage before he left Washington, maybe having in mind the Iran-Contra affair?

Hayward: I’ll say a word about Iran-Contra, because it helps answer that question. The standard line was Reagan either wasn’t paying attention or wasn’t in charge. Let me work backwards. I’m *convinced* he did *not* know about the diversion of funds to the Contras. However, the arms-for-hostages part, he knew all about that, and, in fact, pushed that thing along. He’d ask about the hostages in Lebanon almost every day: “Is there any progress on this front?” One of the early entries in his diary says, “We’ve got some things going on with Iran that are so hush-hush, I don’t even want to write them here in my diary.” You know, we now have minutes of some of the meetings that were held where people like George Shultz and Caspar Weinberger, who were rarely in agreement with anything, were saying, “We think this is a bad idea.”

The first several of these transactions went badly wrong, getting only one hostage out, the Rev. Benjamin Weir, who turned out to be an anti-American loon. They started calling him around the White House, “Reverend Weird.” Someone called up his Iranian contacts and said, “Can we send him back, please?” I have fun stories about that.

So Reagan was pushing some of that along. Now, he did it out of pure human sympathy. He’d heard how the CIA station chief was being tortured. He’d

met with the family of one of the hostages, and that affected him very personally. So it was his personal sentimentality that drove that bad process along. He was involved in all of that quite directly.

Then there are the minutes of his meetings with Gorbachev at the June summit in 1988—by which time they were getting along pretty well, because they'd signed one arms agreement already, and they were getting on towards another one—where Gorbachev tried to corner him forcefully to agree to a joint statement on “peaceful coexistence” which was very much along the lines of the old boilerplate of the Soviet Union from years before. Reagan wouldn't do it. Reagan kept parrying him. That suggests to me a guy who's still fully in command of what was going on and still fully able to brandish the sword. If you read a transcript of that meeting, Gorbachev is absolutely frustrated beyond belief that Reagan wouldn't make this one small concession on a joint statement. He kept going around the table trying to get other Americans to help him. “Surely, Mr. Shultz, you must see this is a good idea. Can't you persuade the president?” It was astounding.

I guess my summary review is who knows what the arc of Alzheimer's disease is? He was 77 years old when he left office. I do think he was a little past his prime, but not in his dotage. I guess I'd put it that way. I do observe some differences between Reagan in his days as governor of California and as president—just normal aging, I think.

I'll add one point. Reagan is one person who got better the older he got. He was better in 1980 than he was in 1976, I think. He learned more and got to be a greater statesman the older he got.

Kurt Zellers: You mentioned the Tea Partiers. I'm curious what you're seeing from the historical perspective—looking back at the intensity of the news reports from 1978-79 or 1993-94, as compared to today—on our Tea Party movement or these town hall meetings today.

Hayward: Yes, this is interesting. The town hall

meetings remind me a little bit of the tax revolt in the 1970s, which was “We're mad as hell, and we're not going to take it anymore.” You had Proposition 13 in California, Prop 2 1/2 in Massachusetts, and the tax cut in Michigan. That very quickly fed into and was part of the whole supply-side movement, so it was a program. It wasn't just a complaint about taxes being high, but rather an economic program. What I see absent from the Tea Party movement today is a positive program of some kind.

By the way, that's hard to do. The Tea Party isn't this unitary thing that someone can lead. There have been people who, seeing this parade going down the street, have tried getting in front of it—not mentioning any names, of course. That's fine. It is such a spontaneous and populist uprising, it's hard to get all the Tea Partiers in the room and say, “Here's going to be our program.” I know some people have tried and are still trying. Maybe it will sort itself out that way at some point.

I'm very encouraged by the Tea Party movement and the people showing up at the town halls, but I'm a little—I don't want to overstate this—a *little* apprehensive about what it's all going to lead to. There was a poll saying if there were a Tea Party on the ballot, it would out-perform the Republican Party.

The Republican brand is still pretty damaged. What is the Republican appeal right now? “Vote for us; we *really* mean it this time?” That's not terribly persuasive. I like to say I knew the game was up three or four years ago when Tom DeLay, when he was still in office, said, “We can't possibly cut the federal budget. It's been cut to the bone.”

That's when I knew we were in deep, deep trouble. Republicans have a credibility problem. If a Ross Perot-type figure were to come along again, and the Tea Party got in line behind such a person, that would be a problem, actually. We'll see how this all unfolds. I like it, but there are reasons to be a little nervous about it, I think.

Bob MacGregor: I'm going to identify myself as



“I’m Troubled.” I still identify myself as a Hubert Humphrey Democrat, and I think he’d be troubled today. My question is why are so many moderates so silent today? I walked over here today with an executive of Xcel Energy. He thinks cap and trade is wonderful. He thinks what the EPA is doing is wonderful. I’m arm-wrestling with my former Republican brother, a banker, who thinks Obama is wonderful. He reminds me that the top business leaders and many of the Business Roundtable people are supporting Obama. Even David Brooks, most of the time, supports Obama. So I’m troubled. Why are so many rich people like Warren Buffett supporting all this stuff?

Hayward: You’ve hit one of my hot buttons. Let me just offer a preface: You mentioned the great Hubert Humphrey. I won’t do the background. It was not unthinkable that Reagan could have become president in 1968. He made that late run that almost toppled Nixon at the Miami convention. My speculation is that Reagan would not have had a very happy presidency. Never mind why. But by 1980, think about some of the key people on his foreign policy team: Jeane Kirkpatrick to the U.N. and Max Kampelman, who ended up as his arms control negotiator. As you may know, Kampelman was going to be Hubert Humphrey’s secretary of state if Humphrey had won in 1968. So by 1981, Reagan, in some respects, had a coalition government, bringing in some of these former liberals. Some people still had certain liberal views in some ways. Jeane Kirkpatrick said as late as 1984 that she still felt uncomfortable thinking of herself as a Republican. Anyway, that’s an interesting story that has not gotten enough attention, all those Humphrey liberals around Reagan, and there are others besides those two I mentioned.

I said you hit my hot button. This may be a chapter in my next book. Republicans now need to figure out that they must be the party that attacks big business and attacks the rich or the irresponsible rich. They’ve already started to do that, by the way.

I saw a senior executive from General Electric

at a House committee hearing, where I was also a witness, getting roasted alive by Republicans for closing their light bulb factory, since we’ve outlawed incandescent lights in a couple years, and importing all these new twisty lights we’re supposed to use from China. So, “Yes,” he says, “we’re getting lots of green jobs out of all these policies, but we’re getting them in India and China and Indonesia and Brazil but not here.”

Well, you know what? It may be demagogic, and there are problems with it substantively, but I think it’s time for conservatives to say, as some have actually said for years, “Big business is not necessarily our friend. They’re always willing to cut a deal with the government if it lines their pockets.” It’s a bad sign when business thinks that their best profit opportunity is to go to Washington and get the rules changed, instead of competing in the marketplace as it is.

You know those Google guys? It used to be that guys who struck it rich would usually back the system that helped them get rich. Instead, we have all these people in Silicon Valley and elsewhere who make these huge fortunes, who back the statists and who want to have higher taxes and regulations on everybody else. So these Google guys—again, this is somewhat demagogic, though on the other hand it’s fair game—say: “We’re all for a low carbon world.” But then they locate their server farms right next to *coal-fired power plants* because a server has to have a 100-percent reliable power source. They can’t run on windmills. By the way, Google pays huge sums of money for guaranteed power. They’ll pay at the margin up to five dollars a kilowatt hour. You and I pay ten to twelve cents. That’s how important reliable power is to Google. So they’ll sign up with the coal companies, “You keep those plants running all night long so our servers don’t go down when there are fluctuations in the regional grid.” There’s hypocrisy here, not to mention Sergey Brin’s private plane—a Boeing 767 with a hot tub in it. Why can’t they just fly first class like the rest of us?

I do think there is room here, in sort of a social

way, for conservatives to say, “Hey, wait a minute. Some of the wealth in this country is irresponsible.” We now see that Wall Street gave an overwhelming amount of its campaign contributions to Obama and liberals. You hear a lot of remorse about that right now, but nonetheless, they did. Politics is politics. I think our side should say, “Hey, you guys, you deserve getting your taxes raised if you’re going to talk like this.”

Tom Kelly: One of the things you mentioned earlier was the supply-side economics approach to rethinking how the government relates to the economy. One of the things that has amazed me over the last two or three years is how much we seem to have forgotten what didn’t work about Keynesian approaches the last time. We’re back to basically doing the same kinds of things we were doing in the 1970s. Why was that sea change, as opposed to so many others that Reagan made, so short lived?

Hayward: That’s a good question. Who was it, Mark Twain or somebody who said, “It’s the short memories of voters that keep most politicians in office?” There’s a variation of that here. We now have a rising generation of younger people, maybe up to the age of 30 or in their 30s, who don’t remember inflation and gas lines and don’t remember some of the reasons why we got into that. The tax story was part of it.

By the way, if you’re interested in the supply-side story, there’s a book—not my book—a wonderful new book out called *Econoclasts: The Rebels Who Sparked the Supply-Side Revolution and Restored American Prosperity* by a guy named Brian Domitrovic. It’s the best book I’ve read on the economic history of the supply-side movement. There’s more to it than I had perceived. By the way, it’s an economic history that’s readable, which is very difficult to do, and is it bringing back memories. But it’s also suggesting that we are about to fall back in some of those traps. We’re going to be in such trouble if we get a burst of inflation in the next two or three years. It’s going to screw up all kinds of things beyond just our own pocketbooks. It was inflation in the 1970s with a

perverse tax code that essentially produced negative real returns on investment.

One of the teachable moments for Jack Kemp was when he saw a sign at a machine shop that said, “Machinist wanted. Bring your own lathe.” It didn’t make sense to buy the equipment, because of the perverse tax treatment of things back in the 1970s. We’re heading back to all of that. I don’t know what the answer is. We’re talking about trade protectionism, again. One of the arguments of this business climate is, “Well, we’ll have border adjustments for goods from high carbon countries.” This is not going to work. It probably will fail at the World Trade Organization, but people are thinking this way, like this is a perfectly plausible thing to do. I don’t know if we have to be hit on the head by a 2x4 again or just what’s going to have to happen.

I do sense, as a general point about moderates, a lot of restiveness now. I think you see this in the survey data. An awful lot of the moderate, independent voters who were excited about Obama are having some buyer’s remorse, because they think he’s a lot further left than people thought he was going to be. When people ask me what I think of Obama, I say, “Oh, he’s not as bad as I thought he was going to be. He’s much worse.” I’m shocked. I think a lot of people are shocked. You may see some backlash at the ballot box in 2010. Then, we’ll see if he’s as nimble as Bill Clinton was in making mid-course corrections.

Darrell Williamson: My question relates to the relationship between Caspar Weinberger and George Shultz and comparing that to what we saw in the most recent Bush administration.

Hayward: I can give you a short answer to this. Secretaries of defense and secretaries of state usually never get along. We saw that in George W. Bush’s presidency between Donald Rumsfeld and Colin Powell. In the Reagan years, part of the problem was that Weinberger really wanted to be secretary of state, so he decided to sort of be secretary of state as secretary of defense. They were always stepping on each other’s toes that way, and of course the State

Department is where the arms control unit is based. So you have institutional clashes written into the structure of the whole business. They'd fight like cats and dogs, especially about arms control, but also on certain other things. One thing they didn't fight about was Iran-Contra. Remember, Shultz and Weinberger worked at Bechtel together, so they had this professional history. Yes, they didn't get along a lot. Reagan didn't manage that quite as well as he might have. That's one area where Reagan can be faulted some. But nobody does this extremely well.

Reagan one time said to Robert "Bud" McFarlane, his national security adviser (this is really interesting especially since Weinberger was one of his oldest aides from back in California): "I could make Weinberger secretary of state, but I'd get bad policy." It's interesting. His perception was Shultz served his purposes better than Weinberger did. He liked Weinberger in the job he had because he was a great in-fighter with Congress in getting money for the defense buildup.

Reagan liked Shultz, partly because like Reagan, Shultz was a former labor negotiator. Shultz took some heat from conservatives. One of the things we didn't know at the time is that in every single meeting he had with the Soviets, wherever it was in the world, the first thing Shultz did was bring up a specific human rights case and beat down on

them on it. They just *hated* that. Hats off to Shultz for doing that. That's one of the glories of the guy. Reagan liked that kind of thing.

As I say, those two departments always fight to a greater or lesser degree. In those years, it was to a greater degree.

Pearlstein: We'd be remiss if we didn't ask you something about upcoming presidential elections, as we may have a particular vested interest in this state. What do you want to talk about when talking about the next presidential race?

Hayward: I'll just give you my opinion and speculation three years out, which is a long time. One thought I have is that after four years of the Obama rock star show—the big O and all that stuff—Republicans and Independent voters might be in the mood for somebody who is boring and solid, maybe a little stodgy. That would be a governor like Tim Pawlenty or Mitch Daniels. Mitch Daniels has been reasonably successful in Indiana and popular there. Then, my wild card candidate is Gen. David Petraeus, who I hear may be ambitious. General Petraeus, who would be a fresh face and who turned around the Iraq situation, is a really smart guy. He'd have to leave the Officer Corps, but he might do that in a year. Like General Eisenhower in 1950, something like that might happen. ■

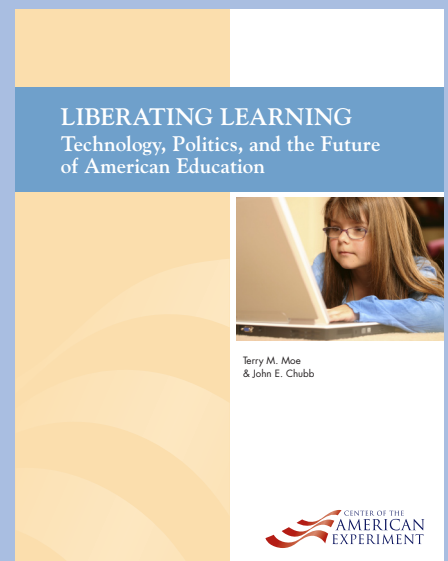
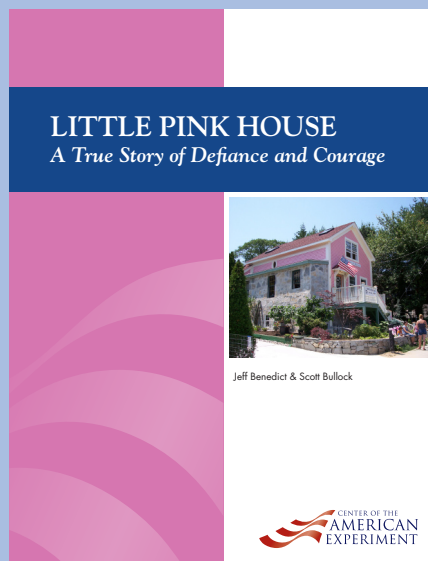
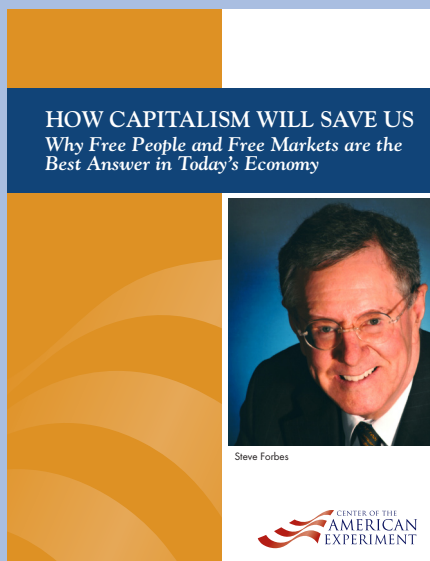


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