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SYMPOSIUM

JACK KEMP AND THE TAX REFORMS OF 1981 AND 1986

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PANEL 1
JACK KEMP AND THE ECONOMIC RECOVERY TAX ACT OF 1981

JACK KEMP FOUNDATION
WASHINGTON, DC

Gerald L. Baliles [director of the Miller Center of Public Affairs and former Governor of Virginia]: Welcome to the Miller Center of Public Affairs. We have just finished a very busy week, last Thursday and Friday. By the way, I'm Gerry Baliles, Director of the Miller Center. Some of you I know, and you know me, but we're delighted to welcome you here for this important conference. Last Thursday and Friday, we had meetings of our governing council and foundation boards. We inaugurated a new president, historic achievement in the university, and we traveled with what time was left during the weekend. So this is a very pleasant occasion because we gather today with our friends from the Jack Kemp Foundation and the Kemp Oral History Project to elicit the thoughts, the recommendations, the reflections, the recollections of the figures who knew Jack Kemp and were key players in the historic Tax Reforms of 1981 and 1986. The Miller Center, we think, is an appropriate venue for today's event. There is a tradition here, almost as longstanding as the Center itself, of bringing groups together to talk about important issues. It was thirty-four years ago this month in April 1977 that we convened our first major conference featuring members of the Ford White House to discuss their tenure in the administration. We continue that tradition today in our discussion of Jack Kemp and tax reform, a topic that could not be more timely or critical of national importance. But as significant as today's topic is the spirit in which we gather to discuss it. Some people contend that it has become too difficult a task to elevate the level of understanding about the major issues of our time and to contribute to the national conversation with a vigorous, serious, and sustained discussion that informs people and provokes thoughtful dialogue.

In the wake of the particularly rancorous budget deliberations and threatened government shutdown, this could seem especially true, but it is something that Jack Kemp excelled at. Chuck Colson, in his eulogy for Kemp, relayed a story in which he asked himself a question that many others have asked. Why is it that Kemp never made it to the White House? He concluded that it was because Kemp could never run an attack ad against anyone. His political approach was one of civility and thoughtful deliberation of ideas, not political interest or posturing.

We strive to follow that example here at the Miller Center. Over our thirty-five-year history, we've created national programs that bridge the world of ideas and practice in the spirit of nonpartisanship and civility. The Miller Center serves as a national meeting place where citizens, scholars, students, media, and policymakers engage with some of the most important issues facing the nation.

Reagan referred to the 1981 and 1986 tax laws as his biggest economic policy achievements of the presidency, and both were achieved by bipartisan majorities at a time of deep partisan differences. In today's acrimonious political climate, we should be mindful of the lessons drawn from Kemp's successful bipartisan efforts.

We focus at the Miller Center on the U.S. presidency and on national policy decision making, emphasizing nonpartisanship, scholarship, and civility in our endeavors. The Miller Center is home to over fifty faculty and staff, including two Bancroft Prizewinners, often thought of as the Nobel Prize in American history. Our initiatives assemble leaders from the public and private sectors in the academy, like the august group here today, to examine and report on issues ranging from the framework of international finance to the governance of climate change and to the future of higher education.

Scholars in our Presidential Recordings Program transcribe, audit tape, interpret, and disseminate more than five thousand hours of secret White House recordings of Presidents FDR through Nixon. We're also becoming known for our national discussion and debate series on PBS in partnership with McNeil-Lehrer Productions and for building upon the Center's tradition of national commissions.

The proposal of the Miller Center's most recent commission on the war powers of the President and Congress was co-chaired in a bipartisan effort by Secretaries of State James Baker and Warren Christopher and is under review by the White House and the Congress. Our major policy work, like the David Gold National Transportation Policy Conference, likewise receives attention at the highest levels of government. In October, President Obama requested a White House briefing with co-chairs and former Secretaries of Transportation Sam Skinner and Norm Mineta. Following the briefing, the President raised the Miller Center's published report to cameras during a live Rose Garden press conference.

And most relevant to today's proceedings, in our nationally recognized oral history program, we interview the major figures of each presidential administration, from Carter going forward through now George W. Bush. Since the Center's oral history work began in 1981, our scholars have conducted over four hundred in-depth interviews, many lasting two full days, including a recent session at the White House with President Obama himself concerning Senator Ted Kennedy. In a moment, I will turn things over to Russell Riley, chair of our Presidential Oral History Program, to tell you more about our efforts.

Finally, Jack Kemp, professional quarterback, congressman, cabinet secretary, and vice presidential candidate, was a man of ideas and action, not unlike Mr. Jefferson himself, although I'm not quite sure Mr. Jefferson would have known what to do with a football. But it is said that Kemp believed that if he had an hour with anyone or, better yet, three, he could change their mind by sheer force of his ideas. In particular, one set of ideas about supply-side economics, springing from a layman's reading and intellectual curiosity, changed the American landscape. His tax policies helped to create millions of jobs, and the resulting economic growth helped to spur decades of prosperity. It is no wonder that President Obama posthumously awarded Kemp the Medal of Freedom in 2009, saying, "His legacy serves as a shining example for all those who strive to challenge conventional wisdom, stay true to themselves, and better our nation."

We're honored to have with us today a group of individuals who knew him and were instrumental in the passage of the 1981 and 1986 legislation. They will relay the story behind the enactment of these laws twenty-five and thirty years ago to help inform our understanding of the legislative initiatives, to reform the tax laws of today. We're fortunate to be joined by Alan Murray, a member of our Miller Center's governing council and assistant managing editor of *The Wall Street Journal*. And our thanks go to the Jack Kemp Foundation, especially to Michelle Van Cleave and Jimmy Kemp and Joanne Kemp for bringing this opportunity to the Miller Center itself.

So, again, our thanks to all of you for being with us, and I would ask you to join me now in welcoming Russell Riley to the podium.

[applause]

Russell L. Riley [chair of the Miller Center's Presidential Oral History Program]: Thank you, Governor. It's been a long time in coming, and

I'm delighted to see there's some familiar faces and to get a chance to meet some new people here today.

As the chair of the Oral History Program, I've been involved, myself, in probably two-hundred-some interviews, primarily on our presidential projects, and it's always a great pleasure to extend a welcome to people to Mr. Jefferson's university. We do a fair number of our interviews in Washington [D.C.], but we've discovered over time that the ambiance of this university and the Miller Center in particular is particularly conducive to the kind of candor and historical reflection that we like to achieve in our interviews, so I think it's important that we do the main balance of our work here in Charlottesville. We recognize that this creates some hardships for people traveling, but we hope that you find the environs comfortable for the kind of reflection that we want to engage in today.

The main course of our interview work, as you may know, is essentially individual interviews. A panel of scholars will interview a single individual for an audio-recorded but off-the-record session, the idea being that we're attempting to encourage the respondent to be candid through the course of the interview by allowing that person to hold on to the contents of the interview for whatever interval they feel comfortable with. Our mission is to contribute to long-term historical understanding of the presidential administrations that we deal with.

We've discovered over time, however, that an important supplement to those individual interviews is the kind of group interview that we'll engage in here today. As the governor mentioned, actually, the history of this kind of effort goes back almost exactly thirty-four years to April of 1977, with that Ford conference. If you haven't had the chance yet, when we go to lunch you'll pass a portrait on the wall that was taken on the steps of the Miller Center that will include some familiar faces, including an impossibly young Donald Rumsfeld and Dick Cheney in that portrait. So the group interviews that we do go back to that thirty-four-year period of time. We've subsequently done group sessions with a former White House congressional liaison, former White House speechwriters, and former domestic policy advisers.

There are two important contributions that these group interviews serve that our individual interviews can't capture. The first is that we're allowed to make public these group sessions as they're happening, and, in fact, this is being set up to be broadcast on our website. We'll capture it and hold it, and the Kemp Foundation will also have access to it as well, so that the wisdom that we collect today will be immediately available rather than our having to hold on to the treasury of recollections for some extended interval of time.

Secondly, one of the things that we have discovered is that group interviews have a dynamic of their own, and the individual sessions are important, they're still the fundamental basis of what we do, but people can serve to prompt recollections across the table in ways that are impossible in an individual interview, and so that kind of dynamic in discussing these events can be particularly important for us. So that's one of the reasons why we're looking forward to doing what we're doing today.

Finally, the other important thing for you to know about the Oral History Program here is that we're missionaries for this kind of work. Elite oral history interviewing is still something that's not very widespread within the United States. Even within the oral history profession, it's a little bit of an oddity of where history is mostly done from the bottom-up, rather than the top-down. But we meet with numerous people over the course of a given year who have an interest in what we're doing, and we're always delighted when we can help play a part, however small that might be, in fostering projects elsewhere.

So it is has been a great pleasure to work with Jimmy Kemp, with Michelle Van Cleave, with John, and more recently with Mort Kondracke, with them in the development of the Jack Kemp Oral History Project, and we're very much looking forward to the results of that, welcoming Mort to the community of those of us who are doing elite interviewing and stand willing, ready, and able to help where we can, beginning today with what I think will be a very lively set of discussions, and what I'm sure of is it will be an important contribution to our scholarly knowledge and our popular knowledge about two epical events of history in these two tax reforms.

So thank you very much for coming, and I look forward to having the chance to interact with you through the course of the day. Now back to you, Mort.

Morton Kondracke: I'm Morton Kondracke. I'm the lead interviewer of the Jack Kemp Oral History Project and soon to be the first occupant of the Jack Kemp Chair in Political Economy at the Library of Congress. Our great thanks to the Miller Center, to Russell Riley, and Governor Baliles for providing these magnificent facilities for this observance of two great Jack Kemp achievements. It's the thirtieth anniversary of Ronald Reagan's 1981 tax rate cuts, the Economic Recovery and Tax Act, which lowered rates across the board by 23 percent over a three-year period and reduced the top income tax rate from 70 percent to 50 percent. It's the twenty-fifth anniversary of the 1986 Tax Reform Act, which eliminated loopholes in the tax law, simplified the Code, and lowered the rates again from the top rate from 50 percent to 33 percent and the corporate rate from 48 percent to 34 percent.

We want to explore not only the history of how these bills passed and what Jack Kemp's role in them was, but the continuing relevance of the issues involved, which are plain from every day's newspaper and especially today's newspaper, since it's April 18. This is now, for this year at least, the tax filing deadline for the whole country.

Supply-side economics, the theory behind it, have become the continuing policy of the Republican Party. Democrats, too, accept the idea of lowering some rates even as they try to raise rates on the wealthy, and the issue of tax reform is back with us as the Congress and the President try to address the country's enormous federal debt.

So I'm pleased to have as co-moderators two people who have literally written the book on the subjects that we're discussing: Brian Domitrovic, who wrote this magnificent book called *EconoClass*, he's a professor at Sam Houston State University is Texas, and Alan Murray, who wrote this magnificent book, *The Showdown at Gucci Gulch*, which is the documentary history of the '86 tax reform.

So joining us around the table are Bruce Barlett, who was a staff member of Jack Kemp's from '77 to '78 and has written many books, seven books, I believe, three of them on the whole issue of supply-side economics and Reaganomics; Bill Brock, who was the Chairman of the Republican National Committee during the '77 to '80, I believe, period and was responsible for making supply-side economics official Republican Party policy; John Mueller, who was Jack Kemp's economic policy advisor during this entire period; and Randy Teague, who was chief of staff to Jack Kemp during the period of the '81 tax bill.

Further on down the line in the second panel this afternoon, Jeff Bell, who was one of the authors of—a long-time supply-sider and ran for the Senate in 1978 on the supply-side platform. Bob Kasten will be joining us. He was the co-sponsor of the Kemp-Kasten Bill in 1986. Alan Reynolds, who had many positions including the White House and the Treasury Department and was a longtime supply-side adviser. David Hoppe was later Jack Kemp's chief of staff. And, of course, Allen Murray and so on.

We wanted to have with us today Arthur Laffer, the famous author of the famous Laffer Curve. He could not join us. He's got some business in Houston. But in lieu of that, he agreed to record a little oral history. We will interview him at length later, as we will you all, by the way. This is only your first experience with the Oral History Project. So we're going to play a little tape here of Arthur Laffer's description of his activities during this period.

So go ahead and play it, please.

Arthur Laffer [on video] Well, the idea of the Laffer Curve is as old as economics is. I mean, everyone knows in price theory, if you raise the price of a product, the demand for that product will go down and revenues may or may not increase depending on the volume decrease and the increase in the price. And taxes are just a price, so when you raise tax rates, you do collect more revenue per dollar of tax base, but you also reduce the incentives for producing and you'll shrink the tax base. It's Econ 1, and it goes back literally thousands of years.

When I really hit the headlines, if you will, on it, I used to have dinner with Don Rumsfeld about once every two or three weeks in Washington, just the two of us. And every now and then we would invite a couple of other people and one of these times we invited Dick Cheney, who was my classmate at Yale, a really great guy and Don Rumsfeld's deputy. And I invited Jude Wanniski, who was a reporter for the Wall Street Journal, the National Observer at the time. And we had the dinner and that's when I was trying to go through the Whip Inflation Now program, if you remember it. The five percent surcharge on taxes? I mean… craziest idea. And what I was trying to explain was, you aren't going to get five percent more revenues. You might get four percent, you might get three percent, but you aren't going to get five percent. And in fact, there's a chance you won't even get any additional revenues – you might lose revenues. And so I drew that curve, if you will, on a napkin, which I guess is at the Hoover Institute right now. I dedicated it to Don Rumsfeld some date in 1974, so it's sort of fun – that's the circumstance. So it was Jude Wanniski, Don Rumsfeld, myself and Dick Cheney at that dinner.

I was introduced to Jack Kemp by Jude Wanniski and Jack Kemp had been doing this bill which was called the Kemp Capital Accumulation Act. He was a young congressman from Buffalo, New York, a former football player, and he did this one bill, which was really sort of a right-wing type of bill which was to sort of stimulate investment output. It was accelerating the depreciation, cutting the corporate rate, all of that sort of stuff. And Jude and I talked to him about across-the-board tax cuts. And really introduced him to the concept that it doesn't matter what it is that you do, just increase production. You don't have to increase that group or this group, just across the board. And we discussed it with him at great length and he was a little reticent to switch from the Kemp Capital Accumulation Act to what now is Kemp-Roth. But he sort of loved the idea that it was Jack Kennedy's idea. JFK – Jack F. Kennedy, and of course it's Jack French Kemp, so it's JFK 2, which is sort of fun. And we had a big battle on – not with Jack but with some of the staffers – on whether it should be a 30 percent across-the-board tax rate reduction, or whether it should be a 30 percent cut in rates, you know just once and for all so the upper rates get cut much less than the lower rates in percentage terms. And Milton Friedman was the arbiter on that one and he went along with me on that. So we won on that one too, so it worked out pretty nicely. But on Reagan, I was much closer with Reagan than I was with Jack Kemp. I mean, Reagan was a family friend and all of this so I was much closer…I was the liaison on a personal basis between Jack and Reagan. I used that in '76. I thought we were going to get it, that Reagan was going to come out and support Kemp-Roth, but it really didn't happen. It came very, very close and Reagan never opposed it – don't get me wrong – but by 1980 Reagan was running on Kemp-Roth, pure and simple. And in fact I had a little dinner party in California at my house where the Reagans came over and Jack was visiting and I talked to Jack about telling him that he was going to run and he was going to support Reagan all the way in the hopes that Reagan would pick him as vice president. And Jack switched the story and said: Ron I love you dearly; I'd never oppose you, I'll never run against you. And we lost the vice presidency for Jack that year, but I really thought we could have gotten Jack as vice presidential candidate in 1980; that would have been really cool. But that was at my house and we had some fun on that one.

But Jack was great. Jude Wanniski always called him The Weapon. And in one sense it's true. Jack was the cutting front edge for supply-side economics in everything. Enterprise zones, which I'd done in '75, '74, the tax rate reduction, Kemp-Roth, which was there, Jack then did the Kemp-Kasten, which became the '86 Tax Act, which was just spectacular. Jack was really good on all these policies and so articulate, so enthusiastic, so wonderful that without him, it never would have happened. To call him The Weapon, though, is I think incorrect. Because Jack always tried to win people over, not to bludgeon them. Whenever you fight, you always lose. You may lose by less than the guy you beat up, but you always lose. Jack always tried to convince people to bring them in; tried to be nice to them, tried to be friends with them. And that was why it really won. Jack

> *Kemp was one of the most wonderful spokesmen, one of the most wonderful basically sponsors of these ideas because he won the hearts and souls of the opposition and got them to switch and come over.*
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> *You know, bipartisanship was Jack Kemp's dream; was Ronald Reagan's dream and is also my dream. To win you must bring the other side onto your team; you can't just bludgeon them. And Jack was the best there ever was at that.*

Kondracke: So, Randy Teague, Jack Kemp gets elected to Congress in 1970, he introduces the Savings and Investment Act of 1974, which Arthur Laffer describes as this "right-wing capital formation act." Was Kemp interested in economics between '70 and '74? How do you trace his development?

Randy Teague: I think Jack was interested in economics throughout his political career, his public service. I first met Jack in 1970 when he was running for his first election to Congress. His interests in economics was very much tied to that campaign and to his congressional district. Buffalo, Cheektowaga, Tonawanda, Lackawanna, all of these steel areas were hurting for jobs, unemployment was very high, and so Jack really did have his hand firmly around the jobs issue.

In September 1973, I received a phone call from Jack. I was part of the OEO dismantling at the White House. Jack called me and he said, "Look, I need you to help find me a new chief of staff, but it's going to be very difficult because the person needs to be well grounded in tax." That was his focus on the nation. "They need to be well grounded in public works," which was his focus on the district. And he said, "This is going to be very difficult." I don't know to this day whether he had this in mind, but as the former Republican clerk of the House Committee on Public Works and a person who has spent much of his career, young at that point, in tax, I fit the bill. But I did the homework. I gave him five or six résumés. I was smart enough to put my résumé on top. [laughter]

And he called me and he said, "I need to meet with you." Went up to the Hill. He said, "All right, we've got to talk about this," and instead of talking about it in his office, he chose the Members Gallery of the House of Representatives, which under the House rules is an area where you're not allowed to talk. I thought this was going to be a very interesting interview. But he said clearly, "Tax." So it was clear in September of '73 that the way in which he was approaching this tax issue was maturing.

It's interesting to me that if you look at the Savings and Investment Act and the way it morphed itself through almost a half a dozen iterations of various forms of tax relief and the name changed each time, it took almost four years from the time that he had been elected to Congress for him to put the word "jobs" into the title of the legislation. But that was not the Jobs Creation Act; that came as the next iteration of these proposals. It was called the Jobs Formation Act.

And it is true what Arthur said here, that it was an amalgamation, a consolidation of various ideas addressed to capital formation. We have to remember—and I think this is so much a part of the framework, and some of you around this table also remind people of this—that if you look at when Jack was involved in this issue, the Republican Party from the days of Eisenhower—and that included House leadership—saw itself as the party of balanced budgets. It was superb at raising taxes to pay for Democratic spending programs, and the Democrats really had this figured out. Much of the Great Society's efforts by Lyndon Johnson clearly rested on his political skills and the knowledge that came from that, that he could do both guns and butter, the domestic agenda as well as the war in Vietnam, with some assurance that Republicans in the House and the Senate would raise taxes to pay for his programs. So that was a significant part of the background here.

But Jack, in these early focuses, clearly was on the business side of it, the corporate side of it, the corporate tax rate side of it, and much of this early legislation, as a matter of fact, all of the earliest legislation focused on relieving burdens on businesses so as to permit capital formation so as to permit jobs creation. But it took him four years before he tied his 1970 campaign for office into the legislation by making jobs the principal focus.

Brian Domitrovic: I wonder if you could tell us a bit about Jack Kemp's reaction to the grievous economic conditions of the time in 1974 when the first bill was made. In late '74, the economy was going through a horrendous recession, double-digit inflation, unemployment pushing 9 percent, the stock market down 50 percent. The standard response from policy makers was things like price controls and jobs programs. Why was Jack Kemp thinking differently in reaction to those circumstances?

Teague: Well, I think you're right in that analysis. In preparation for the discussions today, I went through all of Jack's floor speeches during that period, and it is clear that the economic situation in the country was dominant. I would say of Jack's floor speeches, special orders, extensions of remarks, somewhere in the neighborhood of 70 to 75 percent of everything that he did in the House was focused on the economy. I would say the preponderant work up until somewhere into '73, maybe a little bit longer than that, was on wage and price controls, clearly.

Jack would organize special orders; he'd focus on that. He would use opportunities when other economic legislation was before the House; he'd focus on that. The tax issue, we'll say again, emerged, but it emerged rather slowly. If those of you who are economists that use graphs in your professional work were to chart this out, you would see that as you came into '73, '74, the curve was a fairly gradual curve. If the curve is Jack's attention specifically on the issue of taxes, using the word "taxes," and then in '74 really takes a rapid descent.

Domitrovic: Bill, would you like to comment on this? You co-sponsored a bill with Jack Kemp in 1974 that was going to limit the Federal Reserve.

Bill Brock: Yes. Obviously, I had a lot less contact with him than Randy did, but there were a lot of us that were just exploding over Nixon and wage and price controls and the abandonment of what we thought was the capitalistic system. I was infuriated. Jack sort of took the lead in the House, and there were quite a few of us, House and Senate, that got into the fight. But as Randy has said, the focus on the tax side was on the corporate tax, not on the income tax. I don't think any of us were paying that much attention to the individual tax.

What we were seeing was, as you mentioned, economic chaos. We got off the gold standard, and a lot of people were saying, "Well, that forces the government to have wage and price controls." Ridiculous, but that's where we were. And they were blaming the gold standard and wage and price controls for other things that were underlying the economic chaos that was coming out of the whole time of Vietnam and all the rest of it was blowing us up, and we had the political disruption at the presidential level with Watergate. So I think both of us were beginning to evolve, in that sense of the word.

Kondracke: So who were the major influences that got Jack involved in the Savings and Investment Act, which became the Jobs Creation Act? Who were the intellectual fathers or major influences on him?

Teague: I would say the predominant one was Bill Steiger. He was around the office more than anyone else on this issue. His legislation was the rudder of the first ship, legislatively, and he had tremendous influence with Jack. They were close personal friends. Jack clearly told me a directive that the Savings and Investment Act was to have the Steiger legislation as the keel of that first boat.

Brock: On that issue in 1969, he was way ahead of anybody else in that regard. We were close.

Kondracke: He was a young congressman from Wisconsin.

Brock: Wisconsin. And just took charge and centered it around the capital gains tax fundamentally, which I think at that time was up to 50 percent, and never stopped. I think it was ten years of effort on his part. But he picked up Jack in that regard early.

Bruce Bartlett: One of the things that Randy told me at the time that maybe he’s forgotten, that I think is important to remember, is that

Jack was not a member of the House Ways and Means Committee. He was on the Appropriations Committee, and so he really didn't have a natural forum for talking about tax issues.

One of the things Randy told me is that because he didn't have that, he needed to compensate in some way, and one of them was to get the business community to do sort of the dirty work of lobbying and create the support from the outside for these capital-oriented, business-oriented tax cuts. So that was part of the thinking is how to mobilize support that was already there.

Randy told me once that one of the ways he got the various provisions of the Savings and Investment Act was he just asked various corporations and trade associations, "What's your wish list? What is the one tax change that you think would really cause you to expand production, increase jobs, etc.?" And he just made up a list of these things. I think it was a very clever strategy.

Kondracke: But the intellectual godfather of this is Norman Ture, right?

Teague: Norman Ture.

Kondracke: Explain who he was and what his involvement with Jack was.

Teague: I'll let Bruce explain who Norman Ture was, but let me first say that Irving Kristol was very much involved in this, and to the extent that he had a significant national following, he anchored in New York City, which was very important for Jack. Being a congressman from upstate New York, it was critical. There were others that emerged—[unclear] being one of them, Jude Wanniski, of course, Alan—that came forward in the period. But Norm Ture and his positions was very important.

Kondracke: So explain who Norman Ture was.

Bartlett: Do you want me to do that?

Teague: Yes, I think Bruce should do that.

Bartlett: Well, Norman Ture is a University of Chicago-trained—was a Chicago-trained economist with an interest in taxation, and in the 1950s and sixties, he was on the staff of the Joint Economic Committee, and among the members of that committee was Wilbur Mills, who was also Chairman of the House Ways and Means Committee, a very, very powerful chairman in those days.

When John F. Kennedy was elected in 1960, I forget the name of it, but they had like a Taskforce for Economic Growth or something like that, that Norman was a member of, and this task force made recommendations to the President that initially resulted in creation of the Investment Tax Credit in 1962.

Ture remained close to Wilbur Mills. One of the things that I was saying to Morton last night, that the Miller Center has these transcripts of meetings between John F. Kennedy and Wilbur Mills, and it's very, very clear that Mills was the instigator of the 1964 tax cut. One can presume since Mills didn't really think deeply about these things, is that they came—I didn't mean that as an insult. [laughter] I'm merely trying to show that Norm Ture is the consistent figure throughout all of this and one can presume—and I'd love to look through Mill's papers to see whether this is true, because I know that Norman wrote the long, detailed statement that Mills gave on the House floor that was the main statement in favor of the Kennedy tax cut, because somebody told me they found the draft in Ture's papers.

Anyway, Norman at some point, I don't recall, went and was very involved with the National Bureau of Economic Research and wrote a book about depreciation policy that is still one of the standard works. At the time I got to know him, he had a private consulting company, Norman Ture, Incorporated, or something, and he had been given a contract from somebody or other—I don't know where the money came from; maybe Randy knows—to do a serious economic analysis of the Jobs Creation Act. I gave you a copy of that yesterday.

So Norman is the one consistent person all the way from Kennedy all the way through to Kemp, and it just shows that we weren't just talking in generalities about copying Kennedy's philosophy. We had somebody there who knew and was telling us this is the way to do it. I regret that I under-appreciated Norman at the time, because I didn't know a lot of his prehistory. He never talked about it.

Teague: Let me just add to that, that Bruce has brought up two important elements that are critical to how this developed going into 1960 and then from 1976 and then from 1976 to 1981. What Norm Ture brought to the table was relationships with Democrats, which Jack needed very much, and relationships with the professional staffs, not only on the Hill but in the Treasury. Those were critical products to bring to Jack in terms of understanding where support was, where opposition was, and how to try to maneuver within that context.

Kondracke: How far did these bills get?

Teague: They did not get a great distance, but they got substantial attention, and they got substantial attention in the Republican Party. Now, I don't want to dwell too much on this, because I've already mentioned it, but it's critically important. The opposition to what Jack was doing was pluralized. There was some opposition from members of the House Committee on Ways and Means as well as from the leadership, the floor leadership, that Jack was taking a leadership role in the tax area when he was not a member of the Committee on Ways and Means. So you have that.

You also have opposition from persons who believe that the Republican Party's strength with the electorate was balancing budgets and the tax revenues were critical to that equation and that tax revenues rested upon tax rates. The concept that Art Laffer brought to the table was not yet on the table, so there was that opposition as well.

Brock: Can I just add one thought? Because when you're watching it from within the Party, somebody mentioned earlier Jack's ability to work across the line and his ability to work with people that maybe had different views, there were a number of leaders on the House Ways and Means Committee, particularly, who really were uncomfortable with where he was going in this regard, and he was able to manage that, even though they were able to stop with the Democrats any progress on these bills.

But the fact is there was no enmity, that I saw at least, coming out of those conversations. They were on very different tracks. He was talking about the growth. They were talking about deficits. It was a precursor in some ways of where we are today that you saw that conflict going on. It was fascinating to watch. So he handled people gracefully and tactfully, but he never stopped.

Domitrovic: We speak of relationships with the Democrats and the leadership on the Hill. What about the response from the Ford administration, the Republican administration? Don Rumsfeld and Dick Cheney are talking about tax surcharges, there's the $50 rebate proposal, $100 rebate. What was Alan Greenspan's response and others in the Ford White House?

Teague: Let me answer the general question first, which was that the support for what Jack was trying to accomplish simply was not there, and Jack worked very hard at it. Jack had a particular letter that was signed on to—well, Jack had his own personal correspondence from President Ford. He then had a more public letter with President Ford, signed by a lot of the younger members in the House, and it just went nowhere. This is important, because I think in the nation that we live in, it's very easy to think that the opposition to what Jack was trying to do was coming from the other side of the aisle. In the early years of Jack's efforts, the Democrats paid no attention to this whatsoever. They just regarded this as an intramural conflict on the Republican side of the aisle.

There are only two times when I was Jack's chief of staff and tax counsel, and that's roughly five-plus years, that Jack came through the door with a look not of a deer in the headlights, but a look of dismay or surprise. One of those was coming back one night from a Chowder Marching Society dinner in which much discussion had been on what Jack had been trying to achieve, and Jack was just really surprised at the depth of the lack of support. I'll phrase it that way, the depth of the lack of support for what he was trying to do.

Kondracke: Be specific. What did he report to you that people had said to him?

Teague: He reported that people had said to him that he was barking up the wrong tree, whatever the analogy may be, that this wasn't doing them any good. He had just felt like he had hit a wall. Jack was never a person, when he hit a wall, that stopped. As a matter of fact, it gave him more energy, more encouragement to try harder, but it was clear from that particular event that if it's a benchmark, it was a benchmark of Jack realizing how much work he had to do within the Republican Party.

The second time that he came back was with a complete look of dismay and that's when—and we'll get to this later this morning—we'd actually had a vote on Jack's bill, a floor vote on Jack's bill, and it not only did not pass, but it did not pass by a fairly substantial number of votes. And I think he was surprised that he did not have more support in that instance, but we'll discuss that later.

Brock: The Chowder Marching—and I was there—is a group of people that are members that gather every Wednesday night at five when the Congress is in session, and the idea is that they're people from every committee to share ideas on what's going on in their committee so that everybody has a larger sense of the context of conversations. It was a very useful opportunity to exchange those ideas and be sure we would coordinate.

Jack was viewed as a maverick and a bit of a troublemaker in terms of getting us off of the track of dealing with the deficit that was very much on the agenda of the Ford administration. So those were pretty tense conversations. He was not an angry advocate, but he was a vigorous advocate, and I can imagine how he came out of that meeting. There were several of those meetings, by the way, not just one.

Kondracke: We need to switch to the ’81 Tax Bill. Go ahead.

John Mueller: Somebody else was watching this whole sequence of events unfold, and that was Ronald Reagan. Marty Anderson published a book called *Reagan In His Own Hand*, which includes all of Reagan’s radio addresses which he wrote himself, and he gave one radio address in October of 1977 in which he says, “Jack Kemp, a young congressman from New York who used to quarterback the Buffalo Bills, has introduced a jobs creation bill five times in this session, and each time he gets more support, the last time 195 votes across party lines. We should help him.” So Reagan is watching this, what Kemp is doing, he’s aware of what’s going on, and so he sees the attractiveness of what Kemp is doing. I’m sure not sure whether he viewed Kemp as a potential competitor for the nomination at that point, but—

Kondracke: Do we know when Jack Kemp and Ronald Reagan first met? That went all the way back to when he was—that’s right, he was a football player. That’s right. Okay.

So let’s switch to the ’81.

?: We have a long ways to go before we get to that, I think.

Kondracke: We don't have a lot of time.

Bartlett: I just want to mention two things. One is the big Democratic legislation during this time period was the Humphrey-Hawkins Bill, which was basically to guarantee everybody a job, and it was very, very popular, and there was a great concern that it was going to pass. So the Jobs Creation Act was very much designed to be the Republican alternative to Humphrey-Hawkins because the Republicans needed something to talk about jobs with.

And the other thing is, you cannot underestimate the critical importance of inflation, even more important than jobs, during this time period, and so the argument for a balanced budget wasn't as nutty as I think it's made to be portrayed. It was perfectly valid theory that balancing the budget would help bring down inflation.

One of the critical arguments about supply-side economics that we were trying to make during that time period is inherent in the name, which is if you increase the supply of goods and services and hold the money supply constant, then that has to be per se anti-inflationary. So that was very much part of the discussion in terms of supply-side economics.

Kondracke: Okay. Let's do go to 1977, the introduction of Kemp-Roth. Now, Arthur Laffer says that he and Jude Wanniski, *Wall Street Journal* editorial writer, I guess, or reporter in those days, came to Jack Kemp and sort of convinced him, and there's this famous day in 1976 when Jude Wanniski comes down from New York and starts talking to Jack Kemp in the morning, and they go all day and into the night at his house. So was this an epiphany that Jack Kemp turns from capital formation to individual across-the-board rate cuts?

Teague: Well, it was certainly a moment of enormous influence. There was no question about it. Because what Jude brought to Jack was a concept and a process as well as the inferred promise of editorial pages in support of what he was doing in one of the nation's most important newspapers. It was a critical moment.

I would say in transitioning from what we have discussed so far into the 1981 tax cuts is that the speech that Jack gave to the Republican National Convention in Kansas City in '76 was clearly the speech that we worked on, Jude, etc., everybody. There was just an enormous amount of work on this speech. Jack gave this speech. The national news media cut out for interviews and so forth and did actually not have Jack's speech on television. At the same time, the party did listen.

I must tell you, in preparation for this meeting today, I really believe you look at 1976 convention in Kansas City and Jack's speech and the impact that it had within his party, even though it had been denied because the news media did not cover it, as having a public impact twenty years later to the year, of course, Jack is nominated for Vice President of the United States, and I think there's a linkage between those two.

Kondracke: Now, there seems to be a conflict within the supply-side movement between the Ture faction, which wants capital formation and corporate tax cuts, and the Laffer-Wanniski school, which wants individual rate cuts. How did that all manifest itself in the Kemp circle?

Mueller: Bruce mentioned Norman Ture's deep involvement from the beginning as a personal link between the Kennedy tax cuts and the Reagan tax cuts. Now, Ture studied and was working before Theodore Schultz coined the term "human capital" in an article in 1960 and kicked off a whole new avenue in economics. But Ture was formed before that, and so when he spoke of capital, it was physical capital. It was Reagan's and Kemp's across-the-board approach, meaning treating labor and property income equally, created a kind of tension, I think, that was apparent from the beginning was always there. Does the economy respond more to the special business incentives or to the across-the-board rate reductions? And that's a tension that they're all the way through and even today.

Bartlett: My recollection is that the way this was all rationalized came from Jude, who explained quite correctly that all taxes are ultimately paid by individuals. Individuals are owned by shareholders or and they have individuals that work for them, etc., and so basically you can trace through the ultimate burden of capital—of taxation, rather, to the individual, so it really doesn't make any difference whether you cut taxes at the corporate level or at the individual level. What matters is lowering the overall tax wedge on work saving and investment, as Jack always said.

Mueller: Jude got into trouble for giving interview to Alex Coburn and Jim Ridgeway at the *Village Voice*, and they wrote an article called "The Battle for Reagan's Mind." The article basically gave them to believe that Jude had come up with the whole Kemp-Roth approach. Because I was on Jack's staff, I was a party to all the back-and-forth between them. Roberts complained to Jude that that wasn't the case. Jude wrote a letter to the editor clarifying that, in fact, he was not the originator of the tax cuts, and he said, "The most important contributions, as I recollect, came from Dr. Paul Craig Roberts and Dr. Norman Ture, two eminent supply-side economists. Dr. Ture, in fact, played a similar role in the Kennedy tax cuts of the early 1960s when he advised Chairman Wilbur Mills of the House Ways and Means Committee."

In his follow-up, though, Jude said the emphasis on Laffer and the Laffer Curve was necessary because Laffer was the front end of the wedge and everyone else was behind, pushing it, and putting himself as well as Roberts in that position. So, somewhat mollified, Craig responds, "Well, you are a good publicist for the . . ." [laughter]

Kondracke: We've seen Arthur Laffer. The person who's not here and keeps getting mentioned over and over again is Jude Wanniski. So tell us about Jude Wanniski and his relationship with Jack Kemp.

Bartlett [?]: Well, I could summarize it by saying by comparison, because it deals with economic theory, that Marx was Marx, but Marx was not something beyond Marx until Lenin gave it feet, and that is what Jude brought, I think. You know, in his way—and we all know what his way was—it was rather substantial and overwhelming. But, you know, what he brought to the Kemp team, to the Kemp legislation, to the rationale for the legislation, etc., is he gave it feet.

Kondracke: I think a better comparison for this purpose probably would be Saint Paul's relationship to Jesus Christ, but that's all right. [laughter]

Bartlett: I think it's very important to understand the media situation in those days, because we didn't have the Internet. You only had three evening news broadcasts. So getting information out was vastly more difficult than it is today, and *The Wall Street Journal* at that time was the only newspaper in the United States with a national distribution. So one of the—maybe even the most important thing that Jude did was to convince Bob Bartley, who was the editor of the editorial page, to basically sign on to this supply-side idea. And so it wasn't just editorials that Jude was writing; the editorial page became open to people like Art Laffer and Craig Roberts, who replaced Jude on the *Journal*'s editorial-page staff when he left. So it was *extremely* important simply as a method of getting the message out.

Brock: I'll just make two points. One, the context, after we lost in '76, really had shifted. Republicans were questioning. We didn't have a core approach to the problem. We'd gotten kicked. I lost, Jerry Ford lost, a lot of us lost in that year. And we had at the same time significant unemployment and inflation at the same time, and here's this really active, aggressive young guy that is constantly charging and saying, "Let's get the economy moving." We were looking for something at the Party to grab onto that was positive. We'd been negative for so long. And Jack brought that.

So from my perspective, I didn't know what was going on intellectually behind the scenes in the committee or in the staff where you were working. I was just watching. Here's a guy that is the one guy that we could see was carrying a really aggressive, active, positive position, and it was so much in accord with what we were trying to do at the committee, it was a great, great exciting time for me. He brought something really different to the conversation.

Kondracke: Following on to that, you'd gone to England, right, and seen how the Tories were getting positive, and you wanted the Republicans to do that, right?

Brock: Well, Margaret Thatcher was this crazy woman who was getting all this press in the States about just giving Labour fits over there, so I went over and spent a week with the Conservatives to see what they were doing. I just got so energized, because their media was magical. They did something I've never seen in America, and maybe even since then, but the genius of what they were doing so comported with Jack and his approach. Their approach was never, never, ever to challenge Labour's motivation. They basically said, "Labour's incompetent. They try, they mean well, but they can't get there from here, because they don't know the system works." And that was very much what Jack was saying back here. So coming back and trying to translate what I'd seen there and find a message, Jack was an easy call at that point.

Domitrovic: You might talk a bit about the legislative career of Kemp-Roth out of the gate in '77 and '78 and the run-up to the Reagan years. Why was it 30 percent? Why was it 10-10-10 over three years? Why did Bill Roth sign on? And didn't it almost become law in 1978?

Bartlett: I guess I should take that. When I came on Jack's staff in December of '76, I inherited the Jobs Creation Act, and, of course, in the new Congress, you had to reintroduce your bills all over again. I didn't really know all the history that came before, but I did know that the addition of a 10 percent across-the-board rate reduction was a relatively recent addition to the Jobs Creation Act, and that was the part that Jack was most interested in. So for the first several months that I was working for Jack, it was all about promoting the Jobs Creation Act.

I should add, because it's been mentioned before, that there was some hostility among the Republican leadership, and having the support of the Chairman of the Republican National Committee was extremely important in overcoming that. I should say also that John Rhodes was always very supportive, but there was a lot of members who were not.

Brock: And they were good guys.

Bartlett: Yes, they had honest differences of opinion. But, anyway, my recollection, as I wish I knew the exact date, but at some point—well, first let me mention the Senate sponsor of the Jobs Creation Act was Senator Jim McClure of Idaho, who was not a member of the Finance Committee and really wasn't that much interested in taxes. His interests were more in the area of energy and natural resources and things of that sort, but he was a really smart guy. So we didn't feel that McClure was doing enough to promote the legislation in the Senate, and we were sort of receptive to the idea of finding someone else.

Somewhere in the spring—I wish I knew the date—Jack either gave a speech or brought up an amendment or something or other that caught Bill Roth's attention. Roth was, of course, a Republican senator from Delaware, and, more importantly, he was a member of the Senate Finance Committee. My recollection is that he sent a handwritten note to Jack, basically saying something to the effect, "Really great speech," or whatever. "Why don't we do something together." So that was very interesting. It opened up the door to possibly doing something with Roth.

Also we had been talking so much about the comparison between what we were doing and the Kennedy tax cut, my memory is that one day Jack stuck his head into the little cubicle where I worked and said, "You know, why don't we just redo the Kennedy tax cut. I mean, let's just get rid of all this baggage and just do a clean straight duplication of the Kennedy tax cut."

I said, "Fine. Of course."

So my recollection is that I made a lot of phone calls to the group, Norm Ture and Art Laffer, and just asked them, "Well, if you wanted to redo the Kennedy tax cut, given the economic and the tax system is different today than it was in 1964, what would that mean?" We talked about various options.

I don't know, somewhere along the way there was just a convergence, where we all just decided if you reduced the top rate from 70 to 50 and the bottom rate from 14 to 8, which is what I think Jack originally wanted, then we would just simply assert that that was roughly the same thing as what Kennedy did in reducing the top rate from 91 to 70 and the bottom rate from 20 to 14.

So we proposed this idea of this Kennedy-type legislation to Roth to see whether he would be interested in signing on with this. I remember there was a luncheon over in the Senate Dining Room, and I believe Norman Ture was there, and we just sort of came to a meeting of the minds. As I recall, the two main things that Roth insisted upon was he didn't want to reduce the bottom rate quite so much because he was worried about the revenue loss, so we only reduced the bottom rate to 10 instead of 8, and also Roth insisted upon phasing it in. Again, purely for revenue reasons he thought it was just too big a hit to cut taxes all at once in one year, and he wanted the three-year phase-in. Eventually we rationalized that that was okay because the Kennedy tax cut itself was phased in over a two-year period.

So we were willing to agree to those demands, and that being the case, we drafted the Kemp-Roth Bill. My recollection is that we basically called up the Joint Committee on Taxation and said, "We need you to draft a bill for us that lowers the top rate from 70 to 50 and the bottom from 14 to 10." Back in those days there were like dozens of rates in between. So we just told them, "Well, you figure out how to reduce them all more or less the same." And, in fact, the guy who did it is a guy named Pete Davis, who's still a very good friend of mine.

So they sent us over the rate schedule that we had specified on this old computer paper—I don't know if anybody remembers it—with the green stripes across. Randy took it and sort of cut-and-pasted, stapled it to a bill introduction thing. I mean, that was about it.

Domitrovic: And that was Kemp Roth? That was the first [unclear]?

Bartlett: That's right. But I don't remember precisely when the process began. It didn't go on for too long.

Teague: It started in March.

Bartlett: Okay, so that was it.

Brock: It was ’70.

Bartlett: Seventy-seven.

Teague: Jack, Bruce, formulated the draft of the bill to pose the issues for discussion and so forth in March, and then that was introduced jointly by Jack and by Roth in July.

Bartlett: I don’t remember who the original co-sponsors were, but, I mean, my main job really for the rest of the time I was there was to round up co-sponsors, and we were quite hopeful that we could get every single Republican in the House and the Senate to sign on. I worked the House, and a guy named Bruce Thompson, who was my counterpart on Roth’s staff, worked the Senate, and we would have periodic meetings. We used to have this little newsletter that we put out. I think, what was it called, the *Tax Cut News* or something like that. I mean, it was pretty sophisticated stuff for those days.

Kondracke: How far did you get, getting every Republican signed on?

Bartlett: I think before I left Jack’s staff, I got the last one, and the last one was a guy named John T. Myers from Indiana, and the only reason he signed on was because he was absolutely the last one. [laughs] If there had been one other, he wouldn’t have done it. I mean, he was very much an old-fashioned balanced-budget guy, and his feeling was, “We can’t cut taxes until the budget is balanced.”

I said, "But how could we cut taxes then? Because it would unbalance the budget."

And he said, "Good point." [laughter]

Kondracke: Brian asked about the '78. So actually it almost passed. It almost became law.

Domitrovic: Then 1979 is a lost year and nothing happened, so what was going on?

Dave Hoppe: It didn't come close to passing in 1978 in any way, shape, or form. It had a great opportunity following a couple of things. You had a fellow named Jeff Bell, who beat a longstanding Republican senator in a primary in New Jersey. Jeff ran on Kemp-Roth.

?: Clifford Case.

Hoppe: And he beat Clifford Case, and then you had Prop. 13 in California, and suddenly everybody awakened and thought, "All this tax stuff is for real. It's going someplace." So on a non-tax bill on the House floor, Humphrey-Hawkins, they offered an amendment which would not have changed tax rates in any way, shape, or form, but was the Kemp-Roth idea, and it passed. And everybody got all excited.

I remember getting a call from Larry Uzzell, who was working on your campaign, "We're going to win."

I said, "Larry, no, no. Don't misunderstand this. This is a whole bunch of people who want to say in the fall, 'Oh, I don't want higher taxes. I want lower taxes.' They don't want this." You didn't even have a majority of Republican senators in 1978 who supported Kemp-Roth.

Bartlett: By the way, another important event that happened right at that same time is the Senate Finance Committee held a hearing on Kemp-Roth in Senator Harry Byrd's subcommittee, and Alan Greenspan testified and Herb Stein testified and Jack, of course, and David Stockman gave very powerful testimony. That was the first sort of formal acknowledgement, because back in those days, holding hearings was actually considered an important step in the legislative process. Today they don't give a crap. But back then, it was extremely important, especially since the Senate was under Democratic control, and for them to acknowledge that this is an important-enough bill to be worth spending the time of the Senate to hold a real honest-to-god hearing was an important step in the respectability, or whatever you want to call it, of the Kemp-Roth initiative.

Kondracke: So the fact the Nunn Amendment, which was a version of Kemp-Roth, actually passed the Senate meant nothing?

?: Sixty-two to 28.

Hoppe: Once again, it was a vote which allowed you say, anybody was running, "You know, I'm for this lower tax stuff." You were never in danger of actually achieving what we all wanted to achieve, sadly enough. But you were really never in danger in the late seventies of achieving it. But these were major hurdles that were passed that led to what happened in 1980 and the platform in 1981.

Alan Murray: I know you're trying to move on, Mort, but before you leave '78, I do think it's important. I'd be interested in hearing Bill talk about—because it was an extraordinary thing for the Republican National Committee to embrace this at the time they did it, and that's why Jeff was able to do what he did, or part of the reason why Jeff was able to do what he did. But I wonder if you could talk about did you think that it was actually a proposal to be legislated, or was it just a proposal to run a campaign on?

Brock: Both.

Murray: You must have gotten a lot of grief from your colleagues.

Brock: The great thing, as I said then and have said since, about being elected chairman when you've lost in all areas is that you can do anything you want to. [laughter] And I did say—and I told Jack this—I said, "What we've got now is an opportunity to position the party for 1980, whether they like it or not, because we don't know who our candidate is going to be." So we started running ads. We put together the tax bills, which Jack actually submitted as suggested to put Bill Simon and a lot of our guys on the plane to go around the country to get people to pay attention to this thing as a country. It was an effort to support some legislation.

I don't believe I thought—I don't remember for sure. I don't believe I thought we could pass legislation with the Democrats in Congress and, frankly, some Republicans who were pretty conscious. I did think that we could make it a centerpiece of our campaign, and that's what Jack was pushing for.

Bartlett: I think it's important to remember that Carter had put forward a tax reform bill in 1978, so there was movement on the tax front in the Congress at that time, and I think it's also important to remember that there was a separate debate going on about cutting capital gains that really took center stage really at that time.

Brock: [unclear].

Bartlett: That's right, and it's important to remember that when it came time to actually do a tax bill, they basically bought, included the Steiger Amendment. And another very important thing people forget is that the 401(k) plan was also enacted into law in 1978. So you started off with this very liberal-oriented traditional Democratic tax bill, and at the end of the year enacted into law was a bill that was halfway between what we were talking about, and it actually got into law, cutting the capital gains tax and these other things.

Kondracke: So there's a piece of this history that we really need to get into in detail, and that is the meeting in 1979 between Jack Kemp and Ronald Reagan. So describe how that came about and how Kemp-Roth became Reagan's tax program for the '80 campaign and for his administration. John, you were there.

Mueller: The meeting in California, yes. Well, just one brief point that Jeff mentioned to me. Somebody else lost in '76, and that was Ronald Reagan, and he was also looking for something new. Jeff mentioned to me that Jack had been shopping around a 30 percent tax rate cut at Kansas City.

Jeff Bell: Absolutely. Jack and Jude.

Kondracke: This is the ’76 convention.

Mueller: August ’76, they were pedaling a 30 percent. They didn’t say anything about three years. Jack offered to deliver five delegates from his area in western New York if Reagan would endorse a 30 percent no-frills tax cut at the convention, the week of the convention, when Reagan was within a delegation or two of winning the nomination. It didn’t come off.

Kondracke: Why did it not come off?

Bell: I don’t honestly know for sure, but I think that John Sears, the campaign manager in ’76, was intrigued with it but felt it was a little too much, a little too much to take on in a sudden bite after all the primaries were over. Reagan had won twelve primaries. We were maneuvering to try to pull the nomination away from the Ford forces.

Bartlett: Well, what was the deal with that thing, the idea that you had about the 90 billion dollars?

Bell: I was in the doghouse in the Reagan campaign, because as their Director of Research, I had convinced Reagan to come out for decentralization of welfare, education, and a few other things that could take 90 billion off the charts. I was still on the staff. I was out there, and I was in the trailer when Ford defeated Reagan on the first ballot. But I was in semi-disgrace as somebody who'd gotten Reagan into trouble.

Bartlett: Wasn't it part of the reason why he was reluctant to go for another big idea at that time? The well was sort of poisoned.

Bell: Well, it's possible that that was a factor, but my feeling is that let's just in the middle of convention say, "I'm for a 30 percent tax cut," there was a fear that that would look completely opportunistic.

Kondracke: Okay, so let's go to—we've got to get to '81 here. So describe this meeting and what happened and how did it go.

Mueller: Reagan actually begins to change his whole approach from a small-tent to a big-tent approach. In February '77, he gives a speech to CPAC in which he outlines his whole agenda for his presidency, actually, talking about combining defense policy, social policy, and economic policy all together, and the one thing he didn't have was the specifics on the economic policy, but it was that where he slotted into that Jack Kemp's Kemp-Roth bill as a centerpiece. This actually occurred not in late '79. As has been mentioned earlier, there had been a plan to get Jack selected as Vice President to Reagan, but—

Kondracke: That was the Laffer-Wanniski plan.

Mueller: Right.

Brock: How did Jack feel about that?

Mueller: Well, I think when push came to shove, he loved Reagan too much or he respected him too much to run against him, and so by doing that, he took himself out of contention, really, as a possibility.

However, Jude worked out a deal with John Sears that Jack would be named Director of Policy Development and economic spokesman for the Reagan campaign. It was a title, basically, but he took it seriously.

There was a meeting January 2nd to 4th, 1980, out in California at Reagan's headquarters, and Jack brought a team of supply-siders to join in that. It was a three-day event. The first day was, I think, on farm policy. One of the things discussed was the grain embargo that Jimmy Carter had imposed. The second day was defense, and the third day was economic policy.

There were about thirty people there, maybe twenty at any given time. It included Ed Meese, John Sears, Charlie Black, Agnes Waldron, Gary Jones, Bruce Barr, Kevin Hopkins.

Brock: What year was this?

Mueller: This is January of '80.

Kondracke: I thought wasn't there something, a meeting at the Marriott Hotel near Los Angles, LAX? Is that the same meeting?

Mueller: Yes. And Bill Van Cleave, Bill Schneider, Richard Allen were all there. Jack brought Jude. Art was there kind of on his own stick, but he was part of the supply-side team. Then Dave Smick, Jack's AA at the time, and I attended also, to attend the briefings.

I found a memo at the time, which is how I can remember all this stuff I otherwise couldn't. He described Reagan's interventions initially as two-dimensional, as if they were index cards. But that was in the first couple of hours. But after three days, he figured out that what Reagan was doing was throwing out positions to invite comment and invited debate. He was not at all defensive.

The biggest issue at the time that all the reporters talked about was Reagan's age, and once he proposed Kemp-Roth, they stopped talking about his age and started talking about this crazy economic policy of his. It did help Reagan. I think in Jack announcing his support when he became Director of Policy, he had a line that was suggested by Jude saying that, "Ronald Reagan, the oldest—-," and everybody goes [gasp], "and wisest of all the candidates." It was an effort to defuse the age issue.

Bell: The Reagan team hated that.

Mueller: They did, but it—

Kondracke: Who used it?

Mueller: Jack did. [laughter]

Bartlett: Can I mention just one thing here? Remember, Reagan ran in '76, and this was the first year I think they had matching funds, and he ended the campaign, partly because of that, with a couple million dollars in the bank, which he then used to establish an organization called Citizens for the Republic.

I remember clearly Jack told me, "Make sure to work with these guys. Get our stuff into their newsletter," and stuff like that. So there was staff-level coordination right from the beginning.

The other thing I think people have to remember about Jack is that he had multiple political ambitions during this period. There was a lot of talk about him running for governor in 1978. He took a pass on that. There was a lot of talk about him running for the Senate in 1980. He'd always said he wanted to replace Jacob Javits, and then Javits unaccountably decided to run for one last term. Randy would know more about what happened then than I do. But he wouldn't run against Javits in a primary. Al D'Amato said, "I got nothing to lose," and we know what happened. [laughter] So the point is that there were a lot of things besides the vice presidency. Jack was juggling a lot of potential ways to advance himself career-wise during that whole period.

Bartlett: So at this meeting—

Mueller: Jack threw the long bomb when he was out in the field, but he was a pretty cautious risk-taker politically. Jude had these memorable phrases, that he used to call Jack "the well-hung pope." [laughter]

Kondracke: So at this meeting in Los Angeles, is this just the sealing of the deal that Kemp-Roth will be the key to Reaganomics, or did Jack have some convincing to do?

Mueller: I think that this was after, if I'm correct, the Policy Memo Number One, which included Kemp-Roth. This was kind of an exhortatory memo from Reagan's staff to Reagan, so it was an advocacy thing, but I think it was on the screen at the staff level because it was staff cooperation.

Kondracke: So does Reagan actually say in this meeting, "Okay, Jack, Kemp-Roth is the centerpiece of my campaign"?

Mueller: No. The supply-siders gave presentations. Art gave a presentation on money, of all things, talking about gold. Jude talked about the history of supply-side economics, basically. Art talked about tax policy, the Laffer Curve. I think Jude had interventions on energy and the grain embargo.

Bartlett: Jude was very big into energy policy.

Brock: I don't remember Reagan going for anything like supply-side in specific terms, or at least the Jack version of it, until after the nomination.

Mueller: He gave a speech.

Brock: Did he?

Mueller: A radio speech in the same volume of works in '78, praising both Steiger and Jack and naming Kemp-Roth.

Kondracke: But when he campaigned for President in 1980, did he say, "I am going to cut marginal rates"?

Hoppe: In the run-up to the convention during the platform, we had, in fact, spent enormous amount of time in April and May before actually the nomination was decided because the way the Platform Committee was set up, you had Senator Tower, who was the chairman, who was supporting John Connolly, and you had Trent Lott, who was one of the two vice chairmen, who was supporting Reagan, and then it was to be Governor of Indiana, Otis Bowen, whose wife was ill and so didn't participate much at the time. But part of this was to make sure, since they started the whole platform effort in the latter part of '79 under Chairman Brock's direction, what you got there to the end, and one of the biggest fights we had is would we be very explicit about this. It was clearly the Reagan campaign's desire, and he had the nomination wrapped up by the time we wrote this section in June, that we write in there 30 percent across the board.

There was also at that time, I think, the Republican senators came out in June for 30 percent across the board and had a press conference—

Bartlett: Yes, I remember.

Hoppe: —out on the law in front of the Senate saying they were for it, which was also part of this whole roll-out of the Republican platform, which in that year the convention was the week after Fourth of July in Detroit. So, yes, they were very explicit by the time we got there.

Kondracke: During the campaign, George Bush was opposing Ronald Reagan and was declaring that this was all voodoo economics. So how did Jack react to the voodoo economics charge, and did he fight against that on Reagan's behalf?

Hoppe: I'll let John give an answer and I'll give an answer.

Mueller: I think he ignored the ad hominem stuff. There were several papers written by Jude Wanniski at the time and published by the Senate Budget Committee in 19—

Bartlett: No, it was the Senate Policy Committee.

Mueller: Okay.

Hoppe: Of which Tower was chairman.

Mueller: Senate Policy Committee in the course of '80, and answered all the most frequent objections coming from people like Walter Heller.

Bartlett: Smick was working on the Policy Committee.

Mueller: Yes, that was where it came from. So there's this four-part series that Jude did.

Domitrovic: Jack Kemp was always very consistent in saying that tax cuts will not be inflationary if there's good monetary policy, and the standard objection on the 30 percent tax cut was that it would result in a 30 percent inflation. That was George Bush's own objection. Jack, in 1979, 1980, just swamped the airwaves and the press with comments about how you have to have a good policy makes a correct monetary policy, will prevent inflation no matter what the tax cuts are.

What about the 1981 law? Is that a fitting legacy to Kemp-Roth and to the work that Jack Kemp had been doing since 1974?

Bartlett: Sure, it was. George Gilder was hired as a contractor to write the section of the February 1981 document that was the endorsement of Kemp-Roth. So does anybody think there was not a direction connection? Alan would know. You were there, right?

Alan Reynolds: It was delude and delay. I mean, these things happen in politics.

Hoppe: It was, but you had to get it through the House, and the Senate was Republican and the House was Democrat, although there was a conservative majority of votes in the House. There were more than 218 Reagan conservatives in the House. The Democrats controlled it. We had 192 Republican votes in that Congress, and to get it done, and so what you had was a series of hurdles, the first hurdle being the budget.

As people recall, President Reagan got shot about a month, five weeks before the budget came up in the House of Representatives, and part of the thinking at that time was, "The President can't do anything, he's convalescing, and he's off the field, and, oh, gee, the Democrats are going to win."

Actually, the President got back into it once he got back home, and literally was the difference between winning the budget battle in the beginning of May, the first week of May, by sixty votes, something along that, maybe more than sixty votes. He then went to the second step of that, which was reconciliation, and the first part of reconciliation was to do all the spending side, and that was in the middle of June. Once again, President Reagan pushed and we won all those votes. He had seven or eight votes over the space of two days' time and never won by more than four votes on any one of them.

We then came to the tax cuts in the House in July. In fact, the day the House voted on the tax cuts in July was the day that Princess Diana and Prince Philip were married. So you had the royal wedding and this vote. This was Wednesday. Monday of that week, the *Washington Times* had a headline which Tip O'Neill held up, which said "Democrats Will Win Tax Fight." If it was taken Monday, they would have.

By Wednesday, the President had done enough, along with others who were working on it, to turn it around, and Republicans won that. But they had to do it by changing the tax bill, by getting the conservative Democrats to buy on, and that's when we watered it down. It was a political necessity to water it down to get that vote passed, or we wouldn't have won.

Kondracke: So what was Jack Kemp's role in the passage of ERTA, of the bill, the Reagan bill?

Hoppe: Jack worked every step. While we were doing all the stuff on reconciliation of spending, Jack was still working on the tax side and worked it straight on through. In one sense, because they had already started the meetings on the reconciliation bill, Bob Michel was involved as the Republican leader—this was unheard of—was involved in those meetings. So you had Bob Michel literally was spending days in meetings on a conference report on the spending side, and you then had Jack and Trent Lott who were rounding up votes on the House side, and you had Phil Gramm.

Bartlett: Don't forget, also, Jack became Chairman of the House Republic Conference at the beginning of that, of 1981, so he was a formal member of the leadership.

Kondracke: So Jack is a member of the leadership by this time?

Bartlett: Right. He was chairman of the conference.

Hoppe: He was number-three ranking Republican at that time. He was elected after the '80 elections to that spot.

Mueller: We should maybe go back to the tensions between the personal rate cuts and the business incentives, which played all the way through, and it was a point of contention throughout the Reagan campaign, because Reagan was committed to Kemp-Roth 10-10-10, but he also signed on to what was called 10-5-3. It was promoted by Charles Walker, who headed an outfit called the American Council for Capital Formation. This was added to the rate cuts which were not in Kemp-Roth. Kemp-Roth was just across-the-board personal and corporate tax rate cuts, but to it was added 10-5-3.

Now, Jack had had this history of getting support from the business community for it, but he thought the rate cuts were more important and disparaged the Capital Formation folks because they were always trying to increase those credits but watering down the rate cuts. Charlie Walker wanted to reduce the 10-10-10 just to 10 in one year, so it was always a back-and-forth right up to the election.

Then after the election, there was jockeying as to what was going on. Dave Stockman wrote in collaboration somewhat with Lew

Lehrman a memo in December of 1980 called “Avoiding an Economic Dunkirk.” Stockman shifted the focus to the cataclysmic consequences that were supposed to come from not cutting spending enough, and so there were all these crosscurrents. Jack thought the personal rate reductions were the most important.

Bartlett: Don’t forget also that there were factions within the administration after Reagan won, because you had Norman Ture and Paul Craig Roberts at the Treasury Department, and you had some opposition, especially, I think, at the CEA. Murray Weidenbaum I don’t think was ever enthusiastic about any of this stuff.

Brock: Don Regan was.

Bartlett: Well, nobody knew anything about Don Regan until he actually showed up at Treasury, and to our enormous relief, he turned out to be a good guy. But there was a lot of infighting, and Stockman, of course, was at OMB, and Jack thought he was going to be his guy. But by that point, he was only interested in spending and the deficit, and we all know the rest.

Hoppe: There is an anecdote that I can tell you about, and I can’t prove what was in anybody’s mind, but after we had passed the tax cuts on the House floor that day in July, they were all excited and called down and they ran over to the Capitol Hill Club. They had called down to Stockman and said, “Come on, come on, come on, join us.”

Well, Senator Lott, who I worked for at that time, Congressman Lott at that time, had one office in the Capitol off the House floor. We’d won the vote and they’d all gone over, and I was sitting there in the office, and Dave Stockman comes through the door, because he's looking for them and he didn't know where they'd gone. He looks in, and I swear it was the most ashen-faced individual I've ever seen in my life. I think he was the most shocked man in Washington when they won that vote that day, and I don't think he wanted them to win that vote.

Kondracke: David Stockman later turned against the whole supply-side movement that he'd been part of.

Brock: He was against it from day one in the administration, absolutely.

Kondracke: And declared it to be nothing but trickle-down economics.

Bartlett: David's skepticism predates the administration. I was trying to track this down, actually, for something I wrote recently, and you should talk to Stuart Sweet about this, because he was my counterpart on Stockman's staff and Stuart was very much of a supply-sider. He told me that one day, I think in 1979, he got a note from Stockman with a paper. I think it was one of these AEI papers that Herb Stein had written, that basically said something to the effect that we couldn't cut taxes because it would use up all the saving or something like that. I've never been able to find the precise document he was referring to.

But, anyway, David had a real epiphany as early as 1979, in which he was deeply concerned about the impact of the deficit on national saving and productivity and that sort of thing, and he simply didn't publicize it. I mean, it was behind the scenes. But once, of course, he got to OMB, then it all came out full blown.

Mueller: He focused mostly on energy rather than taxes while he was in the House, Stockman.

Bartlett: Yes, but one of things they did when Stockman was elected and took office in early '77 is the conference or the Policy Committee or somebody, they had these like task forces that they organized, and Stockman was put in charge of the one on the economy, and Stu was the one who was working on that. So he was interested in trying, Stockman was, was more party loyalist. He wanted to support what we were doing for the same reason that Bill did and so on. So in '77, he was very much on our side, and it was in '78, I guess '78, when he first started having these misgivings, is all I'm saying.

Hoppe: But he wrote a *Wall Street Journal* editorial piece that appeared during the Republic Convention in 1980—

Bartlett: Our "Grand New Party."

Hoppe: —our "Grand New Party" platform or something like that, which he lauded.

Bartlett: I'm saying he had private misgivings.

Hoppe: I understand. I don't disagree with you. I'm just saying—

Bell: No, Dave agrees with that. He's just saying Stockman was a liar. [laughter]

Kondracke: Delicately put. Okay. One thing that I want to cover, too, is the supply-side movement, and also then the continuing relevance of tax cuts as policy, I mean across-the-board tax cuts. So, Alan, give us the history on supply side as the description. Where did the phrase come from, did Kemp like it or not like it?

Reynolds: First we had to convince *The Wall Street Journal*. Once you convince *The Wall Street Journal*, the rest comes easy. I attended a conference at the Homestead in Virginia, hosted by James Buchanan, who later got the Nobel Prize, and Gordon Tullock, who should have, co-author. Anyway, at that conference—

Kondracke: This is 1976?

Reynolds: About March of '76. Herb Stein, late March, I think, Herb Stein gave a speech on reasons that economists always want to cut taxes, and he listed a bunch of reasons, most of them Keynesian in nature. One of them was what he called "supply-side fiscalism," and he said, "Some economists, about two." Now, "about two" does not appear in the text, but he was meaning Laffer and Mundell. "About two actually think that tax incentives have an effect on supply of labor effort, entrepreneurship, capital investment and so on, ha, ha, ha," and then he didn't give it too much time, too much space.

I was at that time commuting with Jude Wanniski to Wall Street. I was working for *National Review* and then later *Argus Research*. So we would chat out all the stuff that later showed up in Jude's book, and some of it showed up in Jack Kemp's book, which I participated in, *American Renaissance* in '78.

Anyway, I persuaded Jude that we should use this phrase, that it's a nice capsule way, it's better than the phrase he chose, which was the Mundell-Laffer world hypothesis. I just didn't think that was right. [laughter] It just didn't ring for me. Laffer himself liked incentivist, and then I had a little trouble with that one too. So he used it in a so-so unsigned editorial called "Supply-side Fiscalism," April '76, long forgotten, not nearly as good as his '74 piece, "A Time to Cut Taxes."

We worked on Bob Bartley, and Bob Bartley was terribly concerned about crowding out government-absorbing savings, the same concern that Stockman had. I remember one of the documents out of OMB, after I left transition team there, calculated that if we didn't do something, the deficits would absorb 126 percent of savings. You actually have to be a divinity school dropout to come up with a number larger than 100 percent. [laughter] You know, Stockman did everything on his calculator, and it was a small calculator, and it didn't always work.

Mueller: Jude wrote a piece for the *Policy Review* called "The Mundell-Laffer Hypothesis."

Bartlett: No, *Public Interest,* 1979.

Mueller: I'm sorry, *Public Interest*. The Laffer Curve is literally a footnote in that article. Everything else is about monetary policy, the monetary approach to the balance of payments and so forth, and the Laffer Curve was literally a footnote.

Murray: Yes, it's been really interesting and a lot of talk about the economic underpinnings, but I don't want to undercover the politics of this, which Bill Brock referred to in '78. Jude Wanniski in 1976, I think it was '76, writes this piece for the *National Observer* called "The To Santa Clause Theory," basically saying that the reason Republicans would never get elected was because the Democrats were playing the Santa Clause of spending, giving now all this stuff to people, and the Republicans focused on the deficit, and, as a result, forced to sign on to tax increases to pay for all the spending that the Santa Claus Democrats were giving. He said, "The Republicans will never win until they become their own Santa Clause, the Santa Claus of tax cuts." That's what you pushed in 1978.

That political idea, it seems to me, is what we've lived with for the last thirty-five years, that the Democrats have pushed for spending increases and the Republicans have pushed for tax cuts, and everybody has kind of given up on the deficit until now, until Paul Ryan appears on the scene.

Bartlett: I think there's an important footnote to that, which was added by Irving Kristol, who I think was the first, he first articulated, sort of the start of the beast theory, that tax cuts would hold down—

Murray: That was wrong. I mean, we now know that was wrong, right?

Bartlett: I'm just saying it was an important—

Murray: It was what some people . . .

Bartlett: It goes along with the To Santa theory. If you go back and check that testimony before the Senate Finance Committee in 1978, even Alan Greenspan signed on to that idea, and so that was an important—because Jack was always being asked about the spending side, and he never really liked talking about it, but the argument he made, that he got, I think, from Kristol, was, "Look, as long as the economy grows faster than spending grows, then by definition, as a matter of simple mathematics, the size of spending as a shared GDP must necessarily fall." So it was a growth strategy, and the feeling was all we needed to do was hold the line on spending. We didn't have to go after it with a meat ax, which was what Stockman wanted to do. Jack, I think, just fundamentally disagreed with him about both the politics and the economics.

Kondracke: But throughout this entire history period, in fact, spending has risen much faster than GDP, hence the huge deficit and debt that we now have, correct?

Mueller: Well, this gets, I think, into the monetary debate. There was a difference among the supply-siders. We all more or less agreed on tax cuts with difference in emphasis on the personal rates versus the corporate credits. There were three different approaches to monetary policy. There were the domestic monetarists following Milton Friedman, saying to get inflation down you just needed to control the Ms, the quantity of money. But then there were two branches of supply-siders around Jack who wanted some form of a gold standard. But there were the Mundellians and Lafferians, who thought that we could go back to Bretton Woods, in which the dollar was convertible into gold, but everybody else held securities which could be redeemed for gold at the United States Treasury.

Lew Lehrman was a protégé of Jacques Rueff, whom Brian does a very good job of explaining the importance in his book, and Lehrman was convinced that we had to go back to symmetrical gold standard and get rid of the dollar's reserve currency role because that was weakening the United States and causing these episodes of commodity-led inflations, promoting the loss of budget discipline.

Friedman's analogy was that Congress was like a teenager and you could lecture him all you want, but you can only get him to reduce his spending if you take away his allowance. For Friedman, the taxes were the allowance, but the problem that Lehrman pointed out and that I've subsequently pointed out is that Congress has credit cards as well, which are the Social Security Retirement Fund surpluses and the Federal Reserve and Foreign Central Bank purchases of Treasury securities, now trillions of dollars' worth, and that's money which does not have to be taxed away from American citizens currently or borrowed away from private investors.

So the Rueffians, led by Lehrman, were in disagreement with the Mundellians, and it's a disagreement that continues more or less to this day, though I believe in a recent interview Mundell said we really could not go back to Bretton Woods at this point.

Brock: Jack and I used to debate on occasion, not too often, but with some vigor on the gold standard, and I didn't get the nuance between the two gold standard approaches. I didn't hear that from him. Where did he end up?

Mueller: Well, it was a hotly contested field. He introduced a gold standard bill in 1984, and it was a Lehrmanian, a Rueffian bill, basically. It was just a pure gold standard. His remarks, as well as Lew Lehrman's, on the date in *The Wall Street Journal* described the problems with the reserve currency aspect of it.

Kondracke: On the tax side of this, it clearly at the time, with economic conditions being as terrible as they were, stagflation, interest rates double digits up to 20 percent and so on, supply-side economics was the right answer to lower tax rates from 70 to 50 and all the rest. The question is, is that the answer for all time? In other words, should it be Republican religion, which I think it is, that taxes have always got to come down, no tax is any good, it's always got to come down, and is it the right policy at a time of either deflation, which we've just come through, or huge debt.

Mueller: Well, the tax side of it will bring us to this afternoon's discussion as to how applicable it is today. I think it is applicable, but as to whether the monetary policy is applicable today goes back to the same argument as to whether the United States dollar should be defined in terms of gold or not.

I'm a forecaster. One hat is a for-profit forecaster, that's what I'm doing since I left Jack's staff in '88, and I forecast on the basis of what I call the world dollar base, which is what the Fed creates plus what the Foreign Central Banks, the purchases they make, and it's a great leading indicator of commodity inflation. It was able to predict in mid 2005 that the price of oil would exceed $100 a barrel by the end of 2008, and it got to 150 before it fell. So I think both of these, the tax and the monetary, are still live issues, and I think that the complete supply-side policy is, indeed, very applicable.

Brock: Can I just ask, Mort, because I don't really know, what would Jack's answer be to your question today? Is there indication of that answer that he gave in the years before he finished?

Bartlett: Let's all join hands. [laughter]

Brock: No, I'm asking if he gave—because we had this issue for quite a while now. Did he not give some indication of a position in the few years before he passed? Because I don't know. I really don't.

Mueller: He was always a supporter of gold. I don't think he ever dropped that.

Brock: So do you think that would have been an answer?

Kondracke: But the question is as to the validity. I mean, we've got a raging debate going right now, and I think it will be the subject of the 2012 campaign, because President Obama wants to raise taxes on the rich in all kinds of ways and have a tax reform that I think probably raises the capital gains tax rate again, and he wants to hit the rich with higher taxes and make them pay. It sounds like Keynesianism to me. The question is, so, okay, and the Republicans are dead set against any tax increase of any kind so far as I can see.

Murray: He's advocating serious spending cuts too and that's a difference too.

Kondracke: Right. Well, that's a question. Are we back to root canal—

Murray: Pre 1976.

Kondracke: —Republican economics or not. That's another question. But the question is, is cutting taxes the right answer at every stage of the game? Because it was the basis of Bush economic policy, and so far as I can see, it did nothing really very good. We didn't create a lot of jobs. We didn't have a lot of growth during the George Bush administration. So does this formula apply in conditions other than those that prevailed in the 1970s and early eighties?

Bartlett: Well, I think I may be the only person in this room who thinks that we do sometimes have to raise taxes.

Brock: No, you're not.

Bartlett: Oh, thanks. [laughter] But I think it's important to understand that although we're talking so much about legislation and politics, there was an important intellectual argument going on. When we first started talking about cutting taxes, the Keynesian view of that time was taxes affected the economy in one way and one way only, and that is through its effect on disposable income. The marginal tax rate was a matter of absolutely no importance whatsoever. Nobody was studying it. There was very little discussion in the academic literature about that. Today almost all discussion of taxation in the

National Tax Journal and other leading journals is focused very, very heavily on marginal tax rates.

As long ago as 2007, I wrote an article in *The New York Times* in which I said, "Let's declare victory and go home." We convinced everybody of the basic model that we were talking about and now we're just arguing around the edges. You don't find any economist that I know, and I know guys like Austan Goolsbee and Doug Elmendorf, they're not advocating raising marginal tax rates.

Everybody, you look at the Simpson-Bowles Commission and all these other budget commissions, to the extent they talk about raising revenue, it's all about base broadening or perhaps putting on some sort of broad-based consumption tax. It's not about soaking the rich. It's not about raising marginal tax rates. And I think that that shows the extent to which we won the battle, the intellectual battle.

Kondracke: Well, except that Barack Obama does want to raise marginal tax rates.

Hoppe: I think Bruce generally states it correctly, but let's look at the history of where we were in the 1980s and where we are now, because I think it's important for the answer to your question. You had unbelievably high tax rates in 1980.

Brock: Seventy percent top.

Hoppe: Yes, shockingly bad for the economy over time, and so the first step was to get those down, and that was Kemp-Roth. The next step was to make the Tax Code as efficient as possible, as fair a level of playing field, and that's Kemp-Kasten.

?: [unclear] flat tax.

Hoppe: Yes. Then you come to this period, and if you look at the two tax cuts of the Bush 43, the first one was really an amalgam of a whole bunch of things to try, because what you'd done since 1986 is layer back on a whole bunch of tax benefits, and so you had to sort of play with those. But they didn't really have a theory. They wanted just to make sure the rates were a little bit lower, and a whole bunch of things they jammed in for political reasons because the Senate at that time was evenly divided by the time we actually got to the tax cuts. Senator Jeffords had left the Republican Party, and you had a Democrat majority in the Senate. So they were playing games there as well.

That was not in the type of tax policy we're talking about in 1981 and 1986, in my opinion. That's now, however, what we are looking at. But, yes, there are people who think they want to raise the top tax rates and soak the rich, but even if you talk about that, I can't imagine even Barack Obama saying he'd like to go above 50 percent. I cannot fathom that.

Kondracke: That's true, except the question becomes then what is the sweet spot of the Laffer Curve?

Mueller: I could answer that one, actually. I did a piece in March of '81 called *Lessons of the Tax Cuts of Yesteryear*. It was on *The Wall Street Journal* Op-Ed page, and it focused on the Mellon tax cuts of the 1920s and the Kennedy tax cuts of the 1960s and how each income bracket responded to the cuts in rates. In the 1920s, the breaking point came at about 18 percent marginal tax rate. Below that point, you lost revenue. Above that point, you gained revenue. In the 1960s, the break-even point was cutting the 26 percent rate to 22 percent under the Kennedy tax cuts. That was the lowest rate that raised revenues.

I did another piece about four years after the '86 tax reform and showed that there was a similar pattern there, and I think it was again about 25 percent. So that, to me, is the sweet spot, though I think that—was it Bruce who said, or Alan said that Art Laffer would say that the sweet spot is not where you maximize revenue, but where you maximize GDP, which would be somewhat lower than the revenue maximizing point. But that's where I would put it. It does depend on what your tax base is. I think we can go even lower. You could get down to 18 percent.

Bartlett: The composition of the structure of taxation, I think, is something that tends to get lost in discussion, and with just talking about statutory rates, I mean, effective rates can be just about anything you can imagine, regardless of the rate structure.

Mueller: Yes, the tax base is hugely important.

Domitrovic: If people could offer some comments on Jack Kemp's leadership. Here's a person who was in the House, not the Senate, who was not on the significant committees in the House, wasn't President. There's an argument that he's the most significant congressman of the twentieth century. Just some thoughts on Jack Kemp as leader.

Bell: I'd like to offer a couple of thoughts on that. One reason that Jack gained great influence in the House Republican Caucus is that he went to dozens, hundreds of congressional districts, and he was the most effective thing they had going. This is an incumbent congressmen and challengers, like myself, so they knew that Kemp got a greater response from the public, from the grassroots, from audiences, from fundraising gatherings, that he made them more enthusiastic, more willing to give to their campaign. So Kemp was simultaneously operating as a legislator and as a national advocate.

Hoppe: Evangelist.

Bell: Evangelist. Well put. So the congressmen weren't just saying, "Gee, Jack made a really interesting logical point on the House floor." They knew firsthand that Kemp was dynamite in their district and that he could break through to voters that they normally could not get. So there was a simultaneous thing. That is the sense in which Kemp was a great leader.

Hoppe: I remember Vin Weber telling me that in the 1980 campaign when he was elected, in the car between driving different places in Minnesota, he would listen to Jack Kemp tapes, so the message would be in his mind.

Let me make one other point. You talk about influence in politics, and we always think it's presidential influence. It isn't always, but on the list there are Taft Republicans. There are still Robert Taft Republicans. Not a lot of us left, but a few. But there are very few Eisenhower Republicans.

?: They’re all Democrats.

Hoppe: There are a lot of Goldwater Republicans. I dare you to find a Nixon Republican. There are, obviously, Reagan Republicans. There are no Bush Republicans. There are Jack Kemp Republicans. When you think of that and Jack’s—although he was part of the leadership, he was still a back-bencher within his own party, by and large, in the House of Representatives for many years. That’s an amazing legacy, a member of the House of Representatives not on any of the key committees of jurisdiction. There are people out there who are literally Kemp Republicans. Vin Weber, I think, would tell you he’s a Kemp Republican, and he’s not the only one. And that ain’t a bad place to land in your life.

Bartlett: I always thought Jack’s greatest strength was the ability to say the same thing over and over and over and over again with equal enthusiasm every single time.

Bell: Within the same speech. [laughter]

Bartlett: Well, that’s true too. I mean, he was the pioneer of the idea that first you tell people what you’re going to tell them, and then you tell them ten or fifteen times, and then you tell them what you just told them. But my point is that that’s PR. That’s really important, and it’s something that most of us can’t do. We get bored hearing the same things over and over again. But, you know, he was always enthusiastic. Also, this is underestimated, but, I mean, he was a professional athlete. He was a strong, energetic guy. He could get on planes and fly all night and be fresh as a daisy and give an enthusiastic speech. I can't do that. I mean, these are underestimated things that are very important.

Brock: I guess I would be a Reagan Kemp, meaning I wouldn't choose. I think from my personal perspective, Jack legitimized what we were trying to do in the late seventies. He gave voice to it. We put the PAC list. We put everybody on the plane and we flew around the country. Bob, you remember this and those days.

But Jack had laid the foundation for us to move into the more positive side of politics. That's when we turned the corner as a party, and I give him an enormous amount of credit for that. He certainly helped me in trying to do what we were trying to do with the committee. So I don't know how you say anybody's the best congressman in a century, but I know at least in my lifetime he had a greater impact that anybody else I can think of and from his particular side of the issue.

Robert Kasten: I'm assuming I'm supposed to speak later, but I just want to build on what Bill just said. I think it's important to recognize in the seventies, especially with some of the old appropriators in the House of Representatives, we had a group of people that were viewed as negative, a group of people who weren't inclusive in terms of ages, races, sex, whatever. We had a group of people that to balance the budget was negative, to balance the budget, to cut taxes, was negative.

Jack Kemp—and Bruce mentioned this—because of his heart, I guess, but also because of his background in sports, and particularly professional sports, had an unusually wonderful way of making everyone welcome, making everyone inclusive. Maybe somebody's mentioned this, but the relationship he had with congressmen like Charlie Rangel and others was terrific.

I went to a number of Super Bowls with him, as did everybody at this table, I guess, and I remember going to that dinner the night before, two nights before, when they had the dinner for the NFL players that had retired and were no longer earning a living and the pensions weren't great. That was almost as important, that all of us go that dinner, as it was for us to go to the Super Bowl, and we understood that when Jack and Joanne led the way.

The result of that was—and if you remember, we're talking about tax reform now and specifically the tax reform, but equally important during some of those years was the so-called enterprise zone legislation, the idea of green-lining neighborhoods that were red-lined. A lot of people at this table wrote all these speeches and worked on all these ideas.

But, again, the idea that tax reform and incentives could change the urban areas of our country and that it was positive for all people, no longer negative for one group or another, in fact, it would lift people up, as a result, particularly in enterprise zones, we ended up with lots of Democrat co-sponsors and lots of non-white co-sponsors from both the House and the Senate.

My point is that what everyone has said is right, but Jack was a huge, huge umbrella, an umbrella bigger than the Republican Party was or is now, and the Republican Party is now much bigger than it was then. The work that Bill and others did with Jack helped to expand that umbrella, the whole idea that in order for us to win elections, we needed 51 percent of the vote, and that meant you couldn't keep going to this one group of negative Country Club

Republicans who were telling different jokes about different ethnic groups, whatever. That wasn't part of the deal.

The deal was big concern, care, belief, excitement, and Jack personified that, and he also every single day encouraged people around him to do that, to take that point of view. And that was what he brought to tax reform. That's what he brought to tax cuts. That's what we talked about, opportunity. We talked about enterprise. We talked about growth. We talked about everyone together. The idea was that everyone in America can win, and it was meant to be a zero-sum game, and I want to talk about that later. But just in talking about the personality and the way it affected, it's important to recognize that part of Jack that was very, very inclusive, and it was something the Republican Party needed then and still needs now.

Kondracke: Anybody else want to add before we break for lunch?

Teague: Let me just add two or three sentences to what Bob has said here, because, you know, the period of time that we all got to know Jack in whatever ways, I mean, family had so much to do with it. Jack was an optimist. He was positive. That has to be something you learn at your parents' knees. The fact that the sports analogies are always very dangerous, but, quite frankly, what Jack brought to it was not only the role of the quarterback, but what that implies in terms of strategy. How many movies do we have to see to realize there's no such thing as a team except in the context umbrella-wise, whether it's one season, forty-four people or forty-six or forty-eight, and how to make that into a cohesive body that really is a team. And Jack really had such a sense of that.

I think that, ultimately, you'd work sixteen hours some days in his office, but you were always convinced that Jack was working eighteen hours, and there is nothing that gives you more enthusiasm than realizing the boss is working harder than everyone else. I think the sadness—and there is a sadness to this—is whether he was the great congressman or not of the last century, is how close he came in so many opportunities never to win the big prize as a consequence of it when it comes to political titles, but he certainly won the big prize when it came to influence.

Murray: I'll answer Brian's question in a slightly different way, and it gets to why we are here in this room today. I know this is not intended to be a Jack Kemp eulogy; it's intended to be an oral history exercise. But a few years back when the governing council of the Miller Center—and this is before Governor Baliles' time as the director—was considering whether to take on the Kennedy Oral History Project, which it did take on, and there were a number of people on the council who said, "Well, we shouldn't do that. This is a center for the study of the presidency." And there were others who said, "Yes, but it's hard to argue against the notion that Senator Kennedy had enormous influence on the course of national affairs, even though he didn't achieve the presidency."

At the time, I said, "Well, if you're going to do this, then you'd better start talking about who would you say the same about on the Republican side." And there was a substantial amount of conversation about Howard Baker and a substantial amount of conversation about Bob Dole. But I think if you really look at the last—I don't know about a century, but if you look at the part of the history of national affairs that I've covered as a journalist, it's pretty hard to find anyone else in the Republican Party over the last thirty-five years who didn't achieve the presidency, who has had such an impact on the course of the national affairs of this country.

Bartlett: One thing everybody here will remember, whoever set foot in Jack's office, is right next to his desk was this really large photograph of him as quarterback and Ernie Ladd coming down. Anybody remember? He was like six-six and 300 pounds. I think that Jack liked having that photograph there because it just reminded him that you may be the quarterback, but you're going to pay the price for it. And he always said that his genuine deep affection for African Americans came from the football field. He said, "Look, you know," and looking at that photograph, "I needed four black guys standing in front of me to keep me alive." [laughter] You better take care of those guys, or you'll end up like a pancake.

Kondracke: Listen, this has been a magnificent session. We will break for lunch, and then we will return to talk about '86. Thank you.

[End of Panel One]