

JACK KEMP
ORAL HISTORY PROJECT

Interview with
LAWRENCE A. "LARRY" KUDLOW

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Interviewer
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Kondracke: This is a Jack Kemp Oral History Project interview with journalist and former [Ronald W.] Reagan budget official Lawrence Kudlow. It's being recorded at his apartment in New York City. Today is December 8, 2011, and I'm Morton Kondracke.

Thank you, Larry, for doing this. When you think about Jack Kemp, what immediately comes to mind?

Kudlow: You know, it's funny. I should probably talk about supply-side tax cuts, but actually what immediately comes to my mind is the person Jack Kemp, who was a very dear friend for many, many years, several decades. I think about his goodness, which, in my opinion, as a friend, his goodness got better as the years passed. He was a wonderful man who had great affection for certainly his friends, who he kind of looked after, but also he had tremendous sympathy and compassion for people who were poor and people who certainly were less well off than he. He is one of the few conservatives down through the years who I believe genuinely was concerned about the needy and genuinely concerned about poverty, and it showed in his relationships, where if something went bad, he would be there to talk about it and kind of work through it and give fatherly or avuncular advice. He was just a good guy. That's what I think of first is the Jack that I knew.

He and I have a long history, starting in the middle, late seventies, but when I went through my own crash-and-burn over alcohol and drugs, I mean, Jack was just real worried and tried to communicate. I was a hopeless case, but when I got through that and came out of treatment and I was sober for a while, he was a guy who really helped me come back into life, professional life and public life.

Kondracke: How did he help you?

Kudlow: Just talking and encouraging, you know, "You can do this. You can do that. Make sure you stay on the right path. You're still part of my circle, and Joanne [Kemp]." So he was very nurturing. Really, I'd say the last fifteen or twenty years of his life, he metamorphosed into this extremely compassionate family-oriented guy.

He was a great competitor and fighter when I first met him in the seventies and, of course, he had his cause, the Kemp-Roth tax cuts and the new supply-side revolution in the eighties. So you could go with him like cats and dogs, and if he were angry at you, you'd really feel his wrath. But as the years passed—I would date it, frankly, more or less from the Dole-Kemp campaign, and after that was over and he was defeated, I felt—and this was a turning point in my own

life—things got better, but I just felt that there was something of a new Jack Kemp who was a great friend.

When I spoke at one or two of his remembrances in Washington, I had trouble not tearing up because I was just thinking of sort of my friend Jack Kemp. He was a great inspiration to me in terms of economics and leadership and economic growth, but I was really thinking more of the Jack Kemp, the pal that I lost, who I miss to this day. I miss our phone calls and I miss him coming on the show. He used to come on the show and he was just so wonderful because it was like—I know this was a TV show, but he and I were just having one of our talk sessions on the show, and I just really liked that a lot.

Kondracke: So when did you first meet him?

Kudlow: I was thinking about that because I figured you'd ask, and I'm pretty sure the answer was '76, but it could have been '77. I can't quite remember. I was on Wall Street. I was a young Wall Street economist in those days, just coming onto Wall Street work and I was with the old Paine, Webber, Jackson & Curtis, which is a great old retail brokerage firm.

I had been exposed to some of Jack's writings and speeches, and it was just the very beginning of what became the supply-side

cabal. I invited him to speak at a client dinner for Paine, Webber and I got to introduce him. I want to say '76, but it might have been '77. So I introduced him and I had made up a little story about some of the thoughts of supply-side economics. And I never forgot it. He never forgot it because really I date our friendship from that dinner that night. It was very special.

I'd see him down through the years in, like, '77, '78, '79. This was way before Reagan was President. And he'd always remember. He always wanted to talk to me. Then he started calling me and then he started asking me if I'd write one or two things for him, and I had moved into his circle. It stayed, just stayed like that, sometimes rocky, but it stayed over the whole course of this, and that's a long time.

Kondracke: So what was rocky?

Kudlow: Rocky was when Jack was angry at me because I was in the Reagan administration working for David [A.] Stockman. That was rocky, and when Stockman went off course and first cooperated with William Greider in the famous *Atlantic* stories where he turned tail on Reagan, that was pretty hard, but it got worse because we had these internal fights, particularly in 1982, about raising taxes. Jack was just

furious at anybody who was associated—and I had a pretty senior job in OMB [Office of Management and Budget], so it was rocky. It was rocky, not good, '82, '83. I left government in '83, and it probably took a year or two before I was really back on track with Jack Kemp.

Kondracke: When he was angry, how did he express himself?

Kudlow: Well, he'd diss you socially so you weren't going out to the house for those dinners, and if he saw you, if he saw me, he'd let me know how he disapproved of what the Reagan administration was doing. And no matter what I said in terms of my opposition to the tax-hike decisions, it didn't matter to him. He said, "You were there." He always gave me more credit than I deserved. He saw me as, like, a major policy guy in the White House, and I wasn't. I worked for a major policy guy. I was the second level, subcabinet level, and I didn't have enough clout to swing a decision one way or the other. Even though I was involved in all this stuff, he gave me a lot more credit than I deserve, but I couldn't talk him out of that.

I remember one time I ran into him at some big charity ball thing. Sally Chapoton or somebody was running it. I don't know what the hell. [John E.] Buck Chapoton's wife, I think, I think. But he just came right up to me in my face telling me we were gone off track and

we were destroying the Reagan Revolution, and that I was no longer a supply-sider. Oh, my god, it was bad. I always looked up to him, and so that was not a happy time in our relationship.

Kondracke: When did you become a supply-sider, and how?

Kudlow: I kind of moved into it right in that period, '76, '77, '78, and I guess Jude [T.] Wanniski and [Paul] Craig Roberts saw me as about the only Wall Street economist guy who was grasping onto the idea of incentives and that lower marginal tax rates would foster incentives to grow the economy and work and invest more. I probably was about the only guy on Wall Street. Wall Street is a hotbed of Ivy League Keynesianism, and although I went to Princeton in graduate school, I kind of jumped ship from all that and was moving more to being free market. I was reading Freidrich Hayek and Ludwig von Mises, which are not necessarily supply-side books, but they were free-market books.

Then I came across some editorials. I saw what [Robert L.] Bob Bartley was doing over at the *Journal* and started doing some reading in the columns of some of these people like Craig Roberts and Wanniski and some of the ones down in Washington like Norman [B.] Ture and [Stephen J.] Steve Entin. I was aware of what they were

doing and I was beginning to sink my teeth into it. Then I was beginning to do my own application in my work as an economic analyst for investors, and I started opposing certain things and I started favoring other things, and so my work changed. It all kind of gradually moved. I don't know when—I think Kemp-Roth came up in '78?

Kondracke: Seventy-six, seventy-six at first.

Kudlow: Really? Was it that early?

Kondracke: Yes.

Kudlow: So I wasn't there at the beginning of Kemp-Roth. So I picked it up a couple years later, and they were starting to vote on it in the House and so forth. I became a great fan of it, great follower of it.

Kondracke: So you invited him up here, but he's down there. How did you communicate with him? How did your friendship evolve during the times when you were here and he was there?

Kudlow: Well, at first it was very slow, and I was not part of his circle, certainly. I never worked for him. I started writing stuff. I had a newsletter that I invented for my firm, and I started doing some Op-Ed writing for some of the newspapers, and I started writing about Kemp and his efforts, and, of course, he loved that. I would start getting calls from him, where he'd read something, and he'd call me up and say, "This is great. Thank you."

So then when I went to Washington I would drop by his office, because I was starting to do some congressional testifying in those days. The Democrats ran everything, but the Republicans could have their own witness or two. Whenever I was in town, I'd try to see Jack and talk shop with him, and you sort of worked out this analysis that hard money dollar linked to gold, lower marginal tax rates, deregulation. But really money and taxes were the key issues in that early supply-side.

It's very funny to me because I had another important relationship in those days, professional relationship, with Bill Simon, William E. Simon. It's very interesting. He once woke me up in a hotel room in Denver around about the same time, '76, '77. Somehow George [P.] Shultz saw something that I wrote, passed it on to Bill Simon. They were great pals. This was way out of my league, these guys, believe me. I was whatever I was, twenty-seven or twenty-

eight years old. I remember getting this phone call. Denver time was about six in the morning, and this booming voice, "Larry Kudlow, I'm Bill Simon. I've been reading your stuff and I want you to do some writing for me." He was out of office, but he was on the speech circuit and very active politically. So I got very involved with Simon. And there's some bad blood between Simon and Kemp.

Kondracke: What was that about?

Kudlow: Well, I don't know precisely, but I think that, at least at one point, I know they didn't trust each other, so I think Kemp didn't think Simon was a pure enough supply-sider and that Bill had run the Treasury. He was the Treasury Secretary under [Gerald R.] Jerry Ford [Jr.] and didn't do everything Jack Kemp wanted him to do. I don't know exactly, but those two guys never really trusted each other, and here I was as a young man sort of getting involved in both of them.

I adored Simon, by the way. He would cuss me out sometimes if he didn't like something, but I adored him and did a lot of speechwriting for Simon. I know there were moments there when Jack kind of looked at me like, "I can't really trust you because I know you're doing this stuff for Bill Simon." The movement was so small, the grapevine traveled fast.

Where this is leading is that in the runup to the Reagan nomination—and I wasn't even in the Reagan campaign, but I was for Reagan, and not many on Wall Street were—Simon gave the keynote speech at the Republican Convention in Detroit in 1980 and so he asked me to write it, or at least a draft. I remember going over to his offices. I just took the day off from Paine, Webber. No, I was at Bear Stearns by then, and went over to his offices. He was working for Booz Allen, and he gave me an office next door or somewhere and said, "Write. Just write." And I wrote like my life depended on it. [laughs]

So I wrote it, and he used it to testify before some Republican Convention committee and then it eventually morphed itself into this keynote speech. As it turns out, I wrote the domestic economics, and David [R.] Gergen, who I hadn't known till then, was writing another part on energy and foreign policy. Of course, Gergen winds up communications director in the Reagan White House.

In that speech—and I always take credit for this—in that speech for Simon, I generated the four points, the four pillars of wisdom we called them, which Reagan ultimately adopted. This was lower marginal tax rates to grow the economy, a strong dollar to slay inflation, deregulation to unleash businesses, and cut domestic spending or limit government or something like that.

So Simon liked this copy and read it at this keynote speech. It was well received and it winds up in Reagan's lap because the Reagan thing, even though he himself had the thoughts, his speechwriters never seemed to put together the—and there were different parts. The supply-siders would be one group and the budget cutters would be another group. So those became Reagan's four major points. He campaigned on them, and it surfaced in his State of the Union speech, and I was, like, really proud of that. Even though I was closer to the bottom of the totem pole, it went up. I sort of liked that. There was a part of me that wanted to be a speechwriter, by the way, and I still, to this day, do all my own writing, including my scripts.

So here I am, Kemp and Simon, two sides of the same coin.

Kondracke: Did that speech endear Simon to Kemp?

Kudlow: It didn't hurt. It didn't hurt, because they talked and found out that I was involved in it. So it didn't hurt me and it didn't hurt their relationship, and pretty much, at that point, everybody was on board with everything.

Kondracke: Were you involved with the whole Kemp circle, Wanniski and [Arthur B. "Art"] Laffer and all of those people?

Kudlow: Yes, but not in the beginning. I was not one of the originals. As I said, I got to know Jack and I met Wanniski later, and I don't think Wanniski ever really liked me. He promoted me when it suited his purposes, if I would get some good ink or visibility as a tax cutter and linked the dollar to gold. I had this establishment-type job on Wall Street, so Wanniski liked that because he always regarded these ideas as his ideas. But for the most part, he saw me more as a competitor.

When I went to work in the Reagan administration, Wanniski gave me a very hard time, very difficult, because I was never perfect. And whatever he read in the papers, he blamed me and hardly ever praised me. So he and I were never—we had moments where we were friends, but it wasn't real.

Craig Roberts, he and I did very well together. He used to work at *The Wall Street Journal* editorial page and he was one of the originals, and he and I were quite friendly for quite a while. Like a lot of things, it went sour in '82. He was in the Treasury, and here's Stockman pushing for tax hikes with [Richard D.] Dick Darman and [James A.] Jim Baker, and so Craig blamed me a lot.

However, later on, not so long, when I was out of office, I'm going to say maybe the late eighties, Craig and I really broke bread

together and became good pals again because intellectually we were always—not always, but pretty much on the same page.

Kondracke: And what about [Lewis E.] Lew Lehrman?

Kudlow: Oh! He's a good guy. I was pretty friendly with Lew. Lew's more the gold guy, the pure gold guy, and I probably never quite met Lew's expectations on that, but we were near-cousins on the issue. I helped Lew a little bit when he ran for governor in '82. I came up to New York.

Kondracke: Were you ever involved in this—there was a restaurant near Wall Street—

Kudlow: Michael's.

Kondracke: Michael's.

Kudlow: I was not. That was Art Laffer and Jude and [Charles] Charlie Parker, I think, was in that—he was an investment guy—and, of course, Bartley. And frequently [Robert] Bob Mundell was in that group. It's funny because—no, I was not involved in the group, but

they all became great friends, every one, especially Art Laffer. I have a whole long history with Art, who was one of the most important factors in my addiction recovery, I might add. I'd be happy to tell you that story if it interests you, but we'll get to it.

Kondracke: Yes, we'll get to it.

Kudlow: And Bartley was a great friend, a difficult man to be close to, but he became a great friend, published me a lot in the *Journal*. And who else was in that group? Charlie Parker is a great friend. But I wasn't one of the originals, no.

Kondracke: So in the 1980 campaign, you had no role?

Kudlow: No, none.

Kondracke: Except to write that one speech.

Kudlow: I wrote that one speech for Simon. I was on the—

Kondracke: Did you go to the convention?

Kudlow: I did not, and talked to Kemp endlessly during that year, endlessly, but I had no formal role.

Kondracke: Did you know about the effort on the part of Laffer and Wanniski to try to get Jack to run for President?

Kudlow: I did. I did.

Kondracke: And what did you think about it?

Kudlow: I thought it was pretty interesting.

Kondracke: Did Jack have any inclination to actually do it?

Kudlow: I never thought so. I never thought so. In fact, Jack's whole political career was characterized by these doubts of going big for high office. Unlike Jack, who was so decisive in so many ways, and such a competitor and fighter, but down through the years he had numerous opportunities to run for the Senate in New York. He never did it, should have done it, would have won. He did run for President in '88, but it was very poorly put together, very poorly put together. And when he was on the ticket in '96, that wasn't much better.

But I knew all about Jack thinking about running for President. Jack told me that. And I'll tell you what, in the spring of '80- whenever, Ronald Reagan came to town to give a speech to the New York Stock Exchange up in the old dining room at the New York Stock Exchange, and I went to it. There were a couple hundred people there after the bell closed, and my first time I ever saw Reagan live. I looked at him and couldn't believe how good it was. I just couldn't believe it. It was like Ronald Reagan was writing my newsletter then at Bear Stearn. All the stuff we had been talking about was in that speech, and one of the guys that set that thing up, John [S.R.] Shad, who was a big-shot on Wall Street with E.F. Hutton, who became Reagan's SEC Commissioner, I think it was he who invited me, or one or two other people.

Everybody on Wall Street was for George [H.W.] Bush. They all went to school with him or something. [laughs] I don't know. Did you go to Yale? I don't know. Almost everybody—it seemed like there was this—but that was the old Wall Street. It was Ivy League run.

Anyhow, I went. I don't know if I knew anybody there. Maybe I knew a few people. And couldn't believe how good Reagan was. And right then and there I knew he was going to be President, and right then and there, in my head I decided I wanted to work for him, even though I was not really connected and I was not in that political group.

Kondracke: Well, how did you get the job in the White House?

Kudlow: It's a very strange story. Bill Simon was asked to be Treasury Secretary right after the election, and he was their first choice because he and George Shultz were the co-heads of the Reagan campaign. And Simon wanted me to come in.

Kondracke: [William J.] Bill Casey was the head of—

Kudlow: Bill Casey was the chairman, but there was this outside apparatus. I don't remember what it was called. No, Casey was the campaign manager or chairman, but they had a whole group of hundreds of people doing policy work with many different committees, and Shultz and Simon were, like, at the top of that pyramid.

Anyway, Simon called me right around Thanksgiving and said, "I've been asked to be Treasury Secretary and I want you coming in with me. I don't know what you're going to do. You'll probably be assistant secretary for this and this." And he said, "Would you do it?"

And I said, "Yeah." I'd just been offered a partnership at Bear Stearns. I was a young partner and I said, "Yes, I'll do it."

About two or three weeks later, Simon imploded because he had a big fistfight with James Baker about running the economics arm of the whole administration. Simon wanted to appoint the Director of OMB, he wanted to appoint the Council of Economic Advisors chairman, and he wanted to appoint the chief political appointees to those agencies, and Baker said, "No." Simon wanted to be, like, deputy president, and Baker said, "No," and they fought. Simon was a short-fuse guy and he called me to tell me it was all off.

Kondracke: Kemp wanted Lehrman to get that job. You didn't know about that?

Kudlow: Yes, I knew, but I want to turn the burner down on that because Jack was intrigued with a lot of people, and none of it was totally clear. To this day, I don't—ironically, one of the few people Kemp totally went to bat for was David Stockman to be Budget Director. The first job Dave was offered was to be Energy Secretary and he didn't want to do that, and Kemp and some others pushed him to be Budget Director. Dave had written this very good Op-Ed piece, "Dunkirk," the famous—and he sort of described the whole program.

So here's what happened. It's a very weird story. I'm appointed, like, a thirty-year-old partner of Bear Stearns and happy as

a clam, but I'm a little disappointed. I thought I'd get to go in. And one day there was a road trip where Jack Kemp and [Richard J.] Dick Whalen, a [Richard M.] Nixon speechwriter, if I'm not mistaken, good guy, and Jude Wanniski were taking Stockman around to meet people down on Wall Street, and I was on the itinerary.

So we're in my office. That's the first time I'd met Stockman. We start talking about one thing or another, and I gave my opinions on the economy and what we can do, and I was showing them charts and stuff and this and that. So that was fine, and I remember bringing Stockman upstairs and the partners gave him a little good-luck toast. [laughs]

And about, I don't know, three weeks later, Stockman had been designated OMB Director, but sometime in mid December, something like that—it was before New Year's—I get a call from Stockman, who says, "I want you to come down and I want you to be on my transition team, and we are going to do what's never been done before. We're going to have a whole new policy. We're going to write a whole new budget. We're going to rip up Carter's budget. We're not going to wait six months or a year; we're going to start right away. Would you come down?" And he said to me, "I need a numbers guy like you with some credibility."

So I said, "Okay." But not really sure, I said, "Okay."

And then a little bit after that, an old friend of mine named John Rutledge called me, who was a West Coast economist and a supply-sider and a monetarist. I had met John four or five years earlier. He said, "Did you get a call from Stockman?"

I said, "Yeah."

He said, "Well, we're going to be together on this. We're going to work together on this."

"Okay." So I did it.

I asked my chief, [Alan C.] Ace Greenberg, "Can I do this for—?"

He said, "How long?"

And I said, "Probably about three weeks."

And I went down there to Washington and really got sucked in big time. And it's funny how that worked, because John Rutledge and I did all the numbers for the new budget and tax plan. We'd come up with the GDP [Gross Domestic Product] and the inflation and this and that. We were meeting with—we were like there was a maelstrom. Our little faces got on the cover of all the magazines. People got wind of this and they were all hungry for news. We were in meetings with [Alan] Greenspan and [Murray L.] Weidenbaum and Arthur [F.] Burns, not Reagan, but everybody else. Jim Baker.

Kondracke: This is before the inauguration?

Kudlow: Just before the inauguration. And then Stockman said, "Will you stay a little longer?"

And I said, "Okay." I got an okay from Bear Stearns.

He said, "This never done before, but I'm going to testify in front of—." I think it was the Senate Appropriations Committee. "And we're going to start to unveil the program."

They put me in an office. By this time we had moved into the Old EOB [Executive Office Building], and so they put me in an office across the hall from Stockman, some little broom-closet office, and I'm hammering out stuff the night before the testimony. And I did it. I just did it.

Then Stockman went up there and said, "Would you come with me?"

So I went with him and sat with him on the table. He's testifying, but I'm like, "Do you see all these pictures of me with these big black notebooks?" It was hilarious, and I had no idea what was going on. I didn't understand the game. I'd never done anything like that.

Then I get a call from Jim Baker, and somebody else called me and said, "We want you to stay. We want to make you the Associate Director of OMB." And that was a little tricky. Bear Stearns wasn't too

happy. I gave up a partnership to do it, but I did it. It was in my blood. I met Reagan shortly thereafter. I was in one of the meetings with Reagan and loved it until it became hard. [laughs]

Kondracke: So were you talking to Kemp this whole time?

Kudlow: Whole time.

Kondracke: Was he encouraging you to—

Kudlow: Yes, whole time, wired into Kemp. He wanted to know everything we were doing twenty-four hours a day. Craig Roberts was on that committee with us, and Beryl Sprinkel and Murray Weidenbaum and Jerry Jordan from CEA [Council of Economic Advisors]. We put all this stuff out.

Kondracke: So were you responsible for “Rosy Scenario”?

Kudlow: Yes, I was one of the authors of “Rosy Scenario” along with John Rutledge. And we had arguments. Murray Weidenbaum was the CA. He’s a wonderful man and he smoothed a few things here and smoothed—but we stuck to our guns, and that document, which was

so heavily criticized at the time—it was a five-year document or a six-year document—turned out to be really right on the money.

Kondracke: Except for the first two years.

Kudlow: Except for the first year. We had built in a recession. We knew it was going to be hard. We didn't know it would take two years. And then when the sun came out in '83, the next few years more than made up for it, and it turned out—I still have those old documents, the original economic recovery plan, ERTA [Economic Recovery Tax Act of 1981], I think it was called. I was in charge of all the numbers in OMB. That was sort of my job.

Kondracke: So when did Stockman begin to doubt?

Kudlow: So far as I knew, originally, the day that magazine article was published. That's the first time I knew. I had no wind of it, and I spent so much time with him. I mean, he was a maniac. We were working seven days a week, up late at night. I spent as much time with Dave as anybody in that building. He gave me great responsibilities, trusted me. No one had ever written for Stockman before, his congressional staff people told me. We went out together.

We'd have hamburgers late at night. So I had no clue, none whatsoever.

Kondracke: Did you know that he was meeting with Bill Greider?

Kudlow: I think vaguely I may have known, vaguely. I just never put any stock in it. I mean, it didn't mean anything to me. I don't think I really knew who Bill Greider was, except I knew he was a liberal-type guy. It was a thunderbolt, an absolute thunderbolt.

Kondracke: So during this time were you talking to Wanniski and Laffer and these other people as well?

Kudlow: Yes to Laffer.

Kondracke: Laffer was on some sort of economic recovery commission.

Kudlow: It was the President's PEPAB, Economic Policy Advisory Board, and for a good chunk of the first year or two, I was the secretary of PEPAB and went to all the meetings, made a few presentations, saw Art a lot. Art and I fell in love. Right about that

time we became great pals. He had had the same job as me under Nixon when George Shultz was OMB director.

Kondracke: Now, Laffer told me a story that there was a meeting very early in the Reagan administration when Reagan said to everybody in the group, "What did we agree to in terms of taxes? Did we agree to rate cuts? Did we agree to tax cuts?" And Laffer said that in the first iteration that Kemp-Roth was not part of the bill, that it took [William M.] Bill Brodhead, who was a Democratic congressman, to basically get the 30 percent across-the-board or 25 percent across-the-board tax cut. Do you have any memory of this?

Kudlow: No, that's just not true.

Kondracke: Not true.

Kudlow: I'm going to get in trouble here because I hate to contradict Art. Brodhead was involved, but we ran this bill through the House and Senate Budget Committees, and I was very involved in the legislative strategy and the operation. I mean, I was in the room. [William P.] Phil Gramm, then a Democrat on the House Budget Committee, had this funny little office in the top of Cannon [House

Office Building]. The roof was sloped up. I think it was right at the top of the damn building. He was a junior congressman, and he and Stockman cut a deal on the budget and I was the note-taker. This was very early on. And that deal became Gramm-Latta, or the first iteration of Gramm-Latta.

Kondracke: Which was the spending-cut part.

Kudlow: Exactly. But the tax numbers were plugged in, which was my role in that initially, even though I became—

Kondracke: Ten-five-three as well as Kemp-Roth?

Kudlow: Ten-five-three is which?

Kondracke: That's the accelerated depreciation and all that stuff.

Kudlow: Yes, we had that in, but that's kind of a sidebar because it was a much smaller piece. I don't know which meeting Arthur is referring to, but my recollection was that Reagan was asking folks, as he did on a number of times in the first month or two, is how we were going to distribute the 10-10-10. There were many options. One was

just right off the top, 30 percent reduction; second was a two-year plan; third was a three-year plan. There may have even been longer maturities for that plan.

We settled on some weird compromise. It was 5 percent up front and then 5 percent in the back. The thing didn't take effect fully until first day of 1983. That may have been what Art is thinking about. But there was never any question about rates. We knew that. Reagan himself knew about rates. I mean, he not only campaigned on it. He'd literally tell the story how he was a Hollywood actor, and the tax rate was 90 percent, and he figured, "Okay, I'm not getting the A-roles anymore and I don't really feel like doing the B-movies because I'm not really taking any money home." And that's when he became a TV star and went to work for G.E. [General Electric Company]. So I've got to disagree with Art on that.

Brodhead was probably one of the co-sponsors, but we worked through the Budget Committee. In those days, the Congressional Budget Reform Act, even though it passed in '74, the power of the budget committees was starting to grow, so they had the power to set spending ceilings and revenue floors. We used reconciliation to pass the bill. That, by the way, was Stockman's great contribution, that because we only needed a majority and this and that. Worked like a charm except when it didn't. We were defeated.

[P. V.] Pete Domenici was the Senate budget chairman, and he and I became fabulous friends later, but, boy, that first year—because he didn't agree with us. He was against supply-side. He didn't want to cut tax rates. He wanted to cut the budget deficit. We lost in committee the first time around and then we came back and fought and canoodled, gave bridges away and all that kind of thing.

Kondracke: So what part was Kemp playing in all of this? Were you still talking to Kemp all the time?

Kudlow: I was, but Jack was not central to it because he wasn't on the relevant committee. Jack was on the advisory board, and anytime Jack wanted to talk to Reagan, all he had to do is pick up the phone and talk to Reagan.

Kondracke: What was the relationship like between Kemp and Reagan?

Kudlow: Well, I don't know for sure because I wasn't an insider at that level, but my impression was pretty good, and that Reagan knew that Jack would be purer than him, right? Because Reagan was governor, he knew how to do that stuff and would always say to Jack,

"Keep pushing me. Keep pushing me. We need this." But my sense is it was a pretty good relationship until '82 with everything else.

Kondracke: And then what happened? When Jack started opposing the tax increases, then what happened? What was the relationship like then?

Kudlow: Well, Jack fought like hell. Here's the football quarterback, and he wouldn't give up and he just hammered, as I say, hammered all of us. He hammered us, including the President, publicly.

Kondracke: Publicly the President, even on the Floor of the House.

Kudlow: And anyplace else. Jack campaigned a public campaign against the tax hike of '82.

Kondracke: And he was a leader. He was a member of the leadership too.

Kudlow: Jack was a really important guy. In many ways, that period, I'm going to say '78 to maybe '84, '85, Jack was at the zenith of his influence in his career. By the time he got around to running for

President in '88, after two Reagan terms, Jack was not as powerful. There were other people and so forth, and different strands of economic conservatism.

But, yes, when Jack spoke—I mean he commanded great—I'm sure you remember. I mean, he was huge. Kemp gave a speech, boom, front page, and then there'd be an editorial about it in the *Wall Street Journal* because Bartley was working with him hand-in-glove. Yes, we were Peck's Bad Boys and so was Reagan, was in the doghouse. Conservatives screamed at Reagan, screamed at him. [laughs] It was ugly, and Jack was the leader. Whew!

Kondracke: Now, those tax increases that came in '82, '83, there were several of them along the way.

Kudlow: Not rates, mind you, never.

Kondracke: Since they weren't rate increases, they weren't really a reversal of supply-side policy.

Kudlow: You're exactly right.

Kondracke: And Kemp eventually came around to tax reform to close some of those loopholes.

Kudlow: In '86. Yes, and he started—

Kondracke: So was it not contrary to Kemp's supply-side religion?

Kudlow: This was the Kudlow argument. This was my argument. I just couldn't sell it to Jack. I used to say what we did in '82, now, we did it for the wrong reasons. We did it to close the budget deficit, which I've never felt was a good reason to promulgate any of these policies, but we essentially closed a number of big fat loopholes in the corporate tax code that were put into the bill in '81, most of them by Democrats.

You had this Lloyd [M.] Bentsen [Jr.] wing of the Democratic Party, and when Bentsen was the Chairman of the Joint Economic Committee, he wasn't for Kemp-Roth, but he was for corporate tax cuts, as was his pal George Bush senior. People forget this. In the campaign, George Bush senior, he's always given credit for saying "voodoo economics," but he was totally in favor of lowering the corporate tax rate. He just wasn't sold on the individual tax rate. And Jim Baker, they're all in that same group.

Bentsen was kind of the ringleader of that group, so we had much bigger depreciation cuts in the bill than Reagan had ever visualized or that had come out of these policy committees that were being run by Simon and Shultz, which subsequently became policy, and too many write-offs too fast. Depreciation's a nasty tax critter because it takes up a lot of dollars.

I used to say to Jack, "What matters is the corporate tax rate." I said, "Jack, that's what we always argue, and that cutting the corporate tax rate—" I forget, something like we'd cut it from 45 to 35, I think; it was in the bill. Was much more important than specific tax credits for this business or that business or depreciation expensing rules. I said, "If we get the corporate tax rate down, they won't have to worry about all this."

So we needed revenues, so we took it back, and I always argued we weren't affecting marginal tax rates. I'm still making the case, because liberals come on my show and tell me that Reagan was really a tax raiser and that he participated in five tax hikes or some goddam thing. And I say not one of them affected the rates. The rest of it was a lot of flotsam and jetsam.

Kondracke: So who was influencing Kemp to not see the difference?

Kudlow: Kemp was influencing Kemp. He just didn't want any message of higher taxes at all. And you know what? Looking back on it, I see his point. I mean, I think our policy went awry in '82. We, the administration, just got really worried about budget deficits and kind of lost its faith in the recovery.

Then you had this other argument that I never agreed to, not then, not now, that deficits would block the recovery. I said no, and I argued this in front of Reagan any number of times in meetings. The recovery will reduce the deficit. The deficit will not stop the recovery. The deficit is a symptom; it is not the cause. The cause is the incentive structure of business and commerce. Deficits are a residue. And I believe that was right, and the economists then in the second level, T-2, agreed. We were all together. [Manuel H.] Manny Johnson [Jr.] was in there by then and Jerry [L.] Jordan, and [William] Bill Poole was in the CEA. I don't recall if Beryl Sprinkel agreed with it, but I'll bet he did.

Kondracke: But over the eight years of Ronald Reagan, the debt as a percentage of GDP did go from 32 percent to 56 percent.

Kudlow: No.

Kondracke: Yes.

Kudlow: Is it that high?

Kondracke: Yes.

Kudlow: I know it went up. I was going to say something like 45 percent. You're sure it was 56?

Kondracke: Yes.

Kudlow: I can look it up. It's in my library.

Kondracke: I already looked it up.

Kudlow: Debt in public hands or total gross debt?

Kondracke: No, I think this was gross debt.

Kudlow: Yes, all right, that makes sense, but you can't use that number. You have to use debt in public. Let me tell you why you can't use that number. Because a good chunk of that gross debt is

intergovernmental transfers to itself, like Social Security. It's not real debt. The Treasury owes Social Security X amount of money. But, yes, the Treasury had to borrow to fund the Social Security shortages.

But debt in public hands, which is what you sell in the marketplace, I'm pretty sure, in round numbers, from about 35 to 45 percent. Yes, it went up. It went up, but it was worth it, because you know why? I'm such a hardliner on this, even today. I will borrow to finance lower marginal tax rates, and if that sounds Keynesian, maybe it is. But my argument is any business will borrow to make a good investment, and if the rate of return on that investment exceeds the cost of the borrowing, it's a good investment. There's nothing wrong with debt finance. There's nothing inherently wrong with borrowing unless and until it starts to outstrip its rate of return. Then you've got a problem. So if debt is growing for a long time faster than GDP, you have a problem.

Kondracke: Stockman's book, and Stockman, claims that his worry was that the deficit was going to be so large that it would have to be financed by printing money—

Kudlow: Yes.

Kondracke: —and that it was going to return inflation. It didn't, I don't think, but—

Kudlow: That's a theoretically correct argument, but in the reality of the period, it had no merit whatsoever. First of all, the deficits weren't—it got to 6 percent of GDP, or 6.3 percent of GDP, and the deficit-to-GDP ratio started coming down as soon as the recovery took hold and came right back to about 2 percent of GDP, which is where Jimmy Carter left it. But in between we slashed tax rates, and the reason for that was the economy grew beautifully, probably better than we thought, but it did.

So Dave was wrong, because Paul [A.] Volcker [Jr.] was running the Fed [Federal Reserve Board] and, frankly, no Fed chairman has ever monetized our debt, at least not until now. I think this guy is [Ben S. Bernanke], but he denies it. Certainly not Volcker, no way. And the problem wasn't that big. It wasn't that big. It seemed big, but what happened, the numbers looked real big historically, but the Jerry Ford deficits of the seventies, which were about 65 or 70 billion dollars as a share of GDP were about the same as the Reagan. Why? Because of the recession. But I admit 200 billion dollars was a big number for the American experience.

I never bought Dave's argument and I don't agree. His argument at the time, he adopted a Wall Street argument by Henry Kaufman and Peter [G.] Peterson and a few others that said that the deficits would crowd out investment and would prevent the economy from growing, and that was nonsense, because there was no credit demand in a recession.

What was he crowding out? There was no corporate demand. Everybody was healing from this—Christ, we had virtually a three-year recession is what it really amounted to, the worst in the post World War II history, and roughly the same as the one we have now, about the same. I think total GDP, real GDP, fell by about 6 percent. That's a big number for America. So I think Dave was making up arguments to suit his purposes, and I accused him of that then and I still do now.

Kondracke: This was after the Greider piece came out, you started having—

Kudlow: We really went at it.

Kondracke: —quarreling.

Kudlow: I felt he was giving the President extremely bad advice after Reagan let him stay. The next project he went on to was raising taxes. [laughs] I said, "Your reasoning is incorrect. You're not using supply-side, you're not using classical, you're not using Hayek, much less Mundell and Laffer." Milton Friedman said deficits don't matter. What mattered was the level of spending as a share of GDP. That was the true tax on the economy, and so, therefore, yes, let's bring spending down.

Kondracke: But he couldn't get spending down. So he said.

Kudlow: You know, we cut a lot of domestic spending. The budget for non-entitlement, non-defense, fell in real terms for five or six years. I mean, [Martin] Marty Anderson used to always harrumph at Stockman's book, because Marty, who's a very dear friend of mine, used to say, "You know, the problem with Stockman is he succeeded more than he even realizes." I mean, we ripped apart, I mean, frankly, food stamps, nutrition programs. We just cut right into all that stuff.

Kondracke: Now, Kemp was against doing that, too.

Kudlow: He was. He was.

Kondracke: So that's not part of the supply-side religion either, right?

Kudlow: It depends who you talk to. [laughs] Jack was a big government conservative supply-sider, always was. And by the way, I interviewed another one the other night, who has impeccable supply-side credentials. His name is [Newton L.] Newt Gingrich. It's exactly the Kemp tradition.

Kondracke: So is it possible to have big spending and tax cuts? Tax cuts don't pay for themselves.

Kudlow: Well, that's the big debate. Jack believed 100 percent they do.

Kondracke: Laffer believed that. Did he? Wanniski?

Kudlow: Never, never.

Kondracke: No?

Kudlow: Wanniski may have. No, no, Laffer argued that the only self-generating revenues from lower tax rates came at the very top of the income scale because personal income for wealthy people, a lot of it's capital gains and dividends and investment income, and you can choose to take that income or not. In other words, if you saw the capital gains tax going up—that's the quintessential stock market tax—you could just take your money, sell your stocks at the lower rate, and invest in tax-exempt municipal bonds, for example, or go to your accountant and get a tax shelter.

So revenues would actually fall from higher tax rates up there, and revenues would rise from lower tax rates, but in the Laffer Curve model—and look, Art and I have gone thirty years on this—it's not true for middle-income tax cuts, tax-rate cuts, because they're working men and women and they don't do a lot of investing. They don't have that kind of spare cash, so they're going to go to work the next day regardless of what the tax rate is. Now, they might look for better jobs. They might be more mobile. They might be incented to give it more than they gave it before and climb the ladder. But the evidence shows it's only the top 1 or 2 percent where the real pure 100 percent return—and incidentally, Martin Feldstein, in the last ten years, has done fabulous work on this, using that big model, whatever it is, the

MIT-Harvard—the NBER [National Bureau of Economic Research] tax simulation model.

Marty has essentially verified almost all of Art Laffer's early work. Because everybody laughed at Art. Marty has verified it. Even guys like [N. Gregory] Greg Mankiw, who I think the world of, who's certainly not a pure supply-sider, but he would say at the top end and for investments—so that's the flaw in Jack Kemp's argument, that Jack really believed you could keep spending and helping people, quote, unquote. Just lower those tax rates, and the economy will grow 4, 5, 6, 7, 10 percent. And I'm not that pure. I'm more in the Laffer—I mean I'm a Laffer guy, basically.

Kondracke: And Kemp also wanted to fire Paul Volcker.

Kudlow: At times, yes.

Kondracke: But he wanted the gold standard.

Kudlow: Yes.

Kondracke: And if the gold standard had been put into effect, would it not have had the same effect as Volcker's high interest rates would?

Kudlow: Yes.

Kondracke: So isn't that contrary to supply-side logic, too?

Kudlow: I was Volcker's secretary at the New York Fed. [laughs] It's one of my odd jobs down through the years. Paul Volcker was the last gold guy. I'm being quite serious. When he was the Undersecretary of the Treasury during Nixon, in the meetings he argued strenuously against leaving the Bretton Woods gold exchange standard, and he said, instead, what you have to do is rebase the price rule so that \$35 an ounce wouldn't work. So maybe you have to put it up to \$100 an ounce, but from that moment on, an ounce of gold should fetch \$100."

I just saw Paul. We did a Wayne [D.] Angell remembrance. I was the moderator and Paul was on the panel. Paul said lovely things about Wayne Angell, and I said to Paul—he and I have this great love-hate relationship down through the years. I said, "You watch gold."

He looked at me. "Yes, course I do," and he did then.

And if you look at the charts, what Volcker did was knock the gold price down from \$700, \$800 an ounce to about \$250, \$300 an ounce, and in so doing, vanquished inflation, and in so doing, caused a deflationary recession in the short run. The lower tax rates were

designed as a cushion as the economy adjusted to the new low inflation, as a cushion. But Jack felt Volcker went too far and that if he hadn't, we would have had immediate recovery, we wouldn't have had a second year of recession in '82.

Later, Jack came to worship Volcker—oh, totally. I once asked Jeane [J.] Kirkpatrick if [Dean G.] Acheson wasn't the greatest Secretary of State in history. She knew him. And she said, "In remembrance." And Kemp loved Volcker in remembrance, but at the time, you're right, he called for his resignation.

But you've got to love the Kemp passion on everything, so cool. Out of this little congressional office, he's running his own monetary policy, his own tax policy, his own farm policy. I mean, there's never been anything like it. That's the beauty of Jack Kemp, boundless, especially in those days. Boundless.

Kondracke: Why did gold not make it onto the Reagan agenda?

Kudlow: Well, that's a good question. Reagan himself liked gold. Never quite got there. I think he was kind of talked out of it by some of the senior political types, that it was just too extreme. They were always worried that Reagan was just going to go off and bomb Moscow and stuff. The only guys that worried more about that than the

Washington Post were the people immediately around Reagan.

[laughs] Baker and sort of the establishment wing of the Republican Party.

So they had this commission. Lew Lehrman ran the commission, I think, or was on the commission or something, the Gold Commission, did good work, had a lot of sympathizers in the administration, including me. [Edwin "Ed"] Meese [III] liked gold. I used to be in Meese's office. When it would come up, he'd invite me in if he'd have a guest or something, and he said, "I want you in here," and never could get it into the Oval in execution terms.

Kondracke: When Kemp went off the reservation, there were leaks in the papers from somebody in the White House saying that he was self-aggrandizing, that he was trying to build a case for himself for 1988, or 1984, or something like that. Who was doing the leaking against him?

Kudlow: Guess. You're a smart political columnist, reporter. I mean, that was Baker and Gergen, Darman particularly. Darman was a little weasel. Darman hated Kemp, and vice versa.

Kondracke: Why?

Kudlow: Just because the world view was so different.

Kondracke: What was the difference?

Kudlow: Well, Dick was more of a standard conservative Keynesian, didn't believe in the tax cuts. Dick worked hard with Baker to implement the tax cuts because Reagan proposed them, and Gergen too, and their argument wasn't any belief in supply-side; their argument was that we have to show that this President is capable of governing. That was their main argument. It was a political argument.

Later on, Jim Baker did come to believe in lower marginal tax rates. Darman never, to the day he died, never bought into it. I used to argue with him. Oh, my god, Darman freakin' hated me because I could talk back. And then later on in the Bush administration, everybody wanted me to meet with Bush. There were meetings with Bush by former Reagan people. Darman just kept penciling my name off the list, would not let me near President Bush.

Kondracke: Did Kemp ever talk to Darman?

Kudlow: Oh, I'm sure he did.

Kondracke: You never witnessed it?

Kudlow: I'm sure they were very unpleasant conversations. I mean, Kemp said very bad things about Darman. Kemp was somewhat in awe of Baker, but not Darman.

Kondracke: Why was he in awe of Baker?

Kudlow: I don't know. There's something about Baker. There's something about Jim Baker. It's another good oral history. I just—not just, but a few months ago I had Jim on the show. I was so proud to have Baker on my show. There's something about him that's pretty strong. I don't know. The way he carries himself. He's very smart. He sees things. He's a good lawyer. He's an establishment guy from Princeton and [The] Hill [School], but he was a Marine. He's a very interesting man, James Baker, and I think Jack was somewhat in awe of him.

Kondracke: What happened, after the Greider piece came out, between Kemp and Stockman?

Kudlow: Well, Kemp was furious.

Kondracke: What did he say?

Kudlow: "Traitor. Traitor. We brought you here," which is true. "The President appointed you. We brought you in. We gave you this position. You swore to us, and you're a traitor."

Kondracke: Is this to his face or to you?

Kudlow: Well, it sure was to me, but I have to believe, before they quit talking, it was to his face. I have to believe that because that's the way Jack is, or was.

Kondracke: [Robert D.S.] Bob Novak has a story in his book about right after the—Stockman is at a dinner, a birthday dinner in New York, and Kemp calls him up to congratulate him on his birthday and then hands the phone off to Novak. And Novak is furious with—but the whole idea—and Stockman maintains that Kemp just could never be mean to anybody. What's your experience?

Kudlow: Well, there's some truth to that. I know that story. I mean, I know it because I read it in Novak's book. But I think Kemp reamed-out Stockman, I have reason to believe.

Kondracke: What's your reason to believe?

Kudlow: Well, there were meetings.

Kondracke: Tell me.

Kudlow: Well, I don't—I helped arrange some meetings with Stockman and Kemp as a go-between because I was asked to by Stockman.

Kondracke: White House?

Kudlow: No, these were off-campus meetings.

Kondracke: Where?

Kudlow: Well, I think one of them occurred at Jack's house, a dinner. There might have been more than one. I'm not sure. It's a very

distasteful period in my—like a lot of things in my life, if I don't like it, I push it away. But all these relationships were at low ebb. So I think Dave tried to convince Jack that he had made a mistake with Greider, but he wasn't torpedoing and he wasn't a traitor. I don't think he convinced him. And I don't think Dave was a supply-sider. I mean, he might have been for a year. He might have been maybe a couple years, say, from the middle of '79 to the middle of '81, and then he gave up on it.

Again, as I told you on the phone, I don't know why in the world Stockman stayed. In other words, I can sort of understand why Reagan decided to leave him be, but I don't know why Dave stayed. That's the point. If I believed it was wrong and I went public with that, I would resign, and he didn't. And if you want to know the truth, I think less of Dave for that. Dave has good qualities, too, but that was bad.

Kondracke: So after you left the White House in 1983, what is your relationship with Kemp after that?

Kudlow: It took a while to rebuild. I left in the summer of '83, as I recall, so it took a while to rebuild, but we rebuilt it.

Kondracke: How?

Kudlow: Well, we played a little tennis together and I was invited for dinner once or twice, Bethesda. And I don't remember exactly when, but the phone calls started, restarted, and it meant the world to me. It was huge, because I had hung a shingle out as an economic consultant for a couple of years before I went back to Wall Street and I did a fair amount of work with Jack. He'd invite me to his office. We'd sit down and talk about stuff. So I was kind of back in—

Kondracke: Were you involved in '86 tax reform?

Kudlow: I was, but there was so much going on, they didn't really need me. One of the first ones was Kemp-Kasten, and [Robert W.] Bob Kasten [Jr.] was a great friend of mine, still is. Then there was Bradley-Gephardt, so I was involved in Kemp-Kasten because two friends. I wasn't involved with Bradley-Gephardt. I knew [William W. "Bill"] Bradley—but I wasn't involved.

Kondracke: You weren't at that poolside meeting were you, where Irving Kristol suggested that the Kemp gang just pick up Bradley-Gephardt, but they decided not to do it and do Kemp-Kasten instead?

Kudlow: No, I wasn't at that meeting. By the way, just for the record, I'm a little apostate about these tax-reform things because I think what you wind up is you lose a lot of deductions and exemptions, which you probably should lose in theory, but you don't get the rate cuts on the other side and certain things are sacrificed. The '86 tax bill, it was a pretty good bill, but in the hunt for revenue neutrality, they raised the capital gains tax, which I thought was an enormous mistake, and contributed to the stock market crash in '87 when it was finally put into place. Also, a lot of the real estate provisions, the commercial real estate provisions, which deserved to be ended, nonetheless, were not grandfathered, and that contributed to the commercial real estate meltdown in '87, '88, '89, 90.

I guess my view is [John F.] Kennedy—I'm going to write a book. It's now just starting to cook, with a co-author. If you go back and study the history of the Kennedy tax cuts, which is one of my favorite topics in the whole wide world because we borrowed from Kennedy, it was Kennedy-Reagan. And even though [Christopher J.] Chris Matthews doesn't acknowledge it, if Kennedy were alive today he'd have been a Reagan Republican.

So when you read the history of that, the liberal reformers wanted lower—they didn't want even lower tax rate, but if you're going

to have lower tax rates, they said, "Take away these deductions for rich people and corporations."

And the Chamber of Commerce said, "No way. We're not giving you a nickel." They hadn't had any growth, and the unemployment rate and all these recessions. So the bottom line for me is if you lower the tax rate, you won't even use the deduction. It won't be worth your time. It just won't be. And then eventually just let it expire out. I'm a little skeptical, even the stuff that's going on now. Color me skeptical.

But Kemp got it into his blood that this was good, so he succumbed to liberal thinking, which he felt had supply-side content because it lowered marginal rates, and basically I would agree with that, but I'm not as thrilled with that process as some people are. I mean, deals were cut. I mean, come on. You know Washington. Deals were cut. I mean, they took away the consumer—what was it? The consumer interest-rate deduction was taken away.

Kondracke: Sales-tax reduction?

Kudlow: It might have been, but also, if I'm not mistaken, you could deduct your credit-card interest rates off your tax form. Anyway, all

this helped to get the recession in '89 and '90. It wasn't the major cause, but it was partly the recession.

Kondracke: So what did you do in the '88 campaign?

Kudlow: I helped Jack. I helped Jack.

Kondracke: What did you do?

Kudlow: Odds and ends. I gave a couple of speeches when they asked me to. I spent some time with him on positions. I wasn't at the core of that campaign. By this time I was back as a partner at Bear Stearns working my ass off, but, yes, I talked to him a lot and tried to help him in the debates. He didn't do very well in the debates and he should have done better, but the thing about Jack was, Jack was a better fighter than he was studier. Jack's not a guy who did a lot of homework. I mean, it's funny, he did homework. If he was interested in a book, he would read it and digest and virtually memorize it. But he's an activist. His temperament is not books and his temperament wasn't briefing books either.

The same thing happened in '96. Could have almost predicted it. His debate with Al Gore—wasn't that the debate? Yes, Clinton-

Gore. Debate with Al Gore was a disaster, the debate in Florida, and I remember him calling me. I was working for Art Laffer in 1996 in San Diego, and it was my first sober year on the ground out of treatment, out of Hazelden. I was just starting to get back on my feet, and Jack called me a couple times before the debate. I knew he wasn't prepared.

Then the last time I heard from him, I think, was the day of the debate, and he told me this wasn't going to be good. He said, "I just don't feel good about this." The people around him were trying to stuff things into his head. I wasn't there in Florida where the debate was. And the same thing happened in '88.

My relationship with Jack was if you call me and ask me, I'm your guy, but I would never throw myself on him the way Wanniski and many others did. I just couldn't—I don't know. I just felt like I'm an adult. If the guy needs help, then I would. So that's what I did, odds and ends, did some speaking for him, and it just didn't work.

Kondracke: Various people say that he was an intellectual.

Kudlow: Well, he was a man of ideas, don't get me wrong, but he was not an academic. Do you know what I'm trying to say? Jack was fundamentally a man of ideas and Jack read books, lots of books, lots

of books. But he'd rather go out, go to a football game, play tennis, ski, go to a dinner party than stay home and read briefing books. I mean, that's just the way he was. The minutiae, it was not what Jack was interested in. He was interested in big-picture ideas.

Kondracke: How about numbers?

Kudlow: He didn't like numbers the way I like numbers, but he would listen to numbers and he always liked argumentation based on analysis, to his credit.

Kondracke: Do you think he would have been a good President if he had managed to get elected somehow?

Kudlow: I do. I think he would have been a visionary President. I think he would have been a visionary President. I don't think he would have managed his cabinet departments. It would have been similar to Reagan, the setup.

You know, at the time he ran, he was just as much, or more, interested in foreign policy at that point. He had served on the Defense Appropriations Subcommittee for years and was very good at it, really knew stuff, including the Pentagon budget. He was very

worried about communism—I mean it was '88; the miracle hadn't happened yet—what to do about Russia, Soviet Union, and Israel and Eastern Europe. He was good on that. He knew a lot about that stuff.

On the economic side, there wasn't all that much to talk about in '88 because the recession didn't happen till '90 and the slippage didn't really show up until '89. Jack was more, in that campaign, more boastful than futuristic, like, "Here, it worked. It worked. Look, it worked." And he was right. So he didn't really get in to play to his own strengths.

If he had run in '80, he would have run as the savior of the economy, like Reagan, but the economy was already saved in '88, and even after the crash of '87, '88 was a good year for stocks. So there wasn't that much to talk about. Plus [Pierre S.] Pete du Pont [IV] was there, who was also a supply-sider and kind of drained off a lot of Jack's natural support. Somebody else was in that race who was a conservative. Who am I forgetting?

Kondracke: Well, there was [Marion G.] Pat Robertson, and I don't know that there was—[Malcolm S.] Steve Forbes [Jr.] didn't run that year, so it was Pete DuPont and—

Kudlow: Right, it was Pete and Jack that were draining each other's strength and left George Bush with this tremendous—but I wasn't on a day-to-day—I wasn't on the bus or the plane or anything like that.

Kondracke: So how about during the HUD years?

Kudlow: I had lots of time with Jack during the HUD years.

Kondracke: In what connection?

Kudlow: Well, I recruited a couple of his assistant secretaries, and one of them worked; two of them didn't. [laughs] Saw a lot of Jack in HUD. This was the beginning of a pretty enduring—now our relationship is really good, really good.

We also were kind of guilty of—I mean, when George Bush raised taxes in '90, okay, I went ballistic, testifying, going to Republican hearings. [Edward J.] Ed Rollins—we were just talking about this at dinner. We had dinner at Georgette Mosbacher's, and Ed Rollins was there and I was kidding him. Rollins invited me to speak. He was the head of the Republican Campaign Committee, or whatever

it's called, for the House and invited me to speak at a retreat, and the subject was raising taxes. It was just before the tax vote.

I got up and gave about an hour speech, just beating the shit out of the tax cuts and showed with slides and graphs that we were heading into recession. [Robert H.] Bob Michel didn't talk to me for several years after that, he was so pissed, because he was being a good soldier. And Rollins put me up to it.

So Jack, in HUD, was opposing the policies, which is really hard, but he was using us on the outside, and we were back at the growth wing. It was [Cornelius H. M.] Connie Mack [III] and Phil Gramm. It seemed like there was always hearings, and we were always there, and we were always being—

Kondracke: Well, Newt was making—

Kudlow: Absolutely, Newt was great during that period. He was terrific during that period.

Kondracke: So did Jack take a public position against Bush?

Kudlow: I don't know if he actually ever publicly uttered, but everybody knew. I mean, he sent his minions out, and we were all—oh, sure.

Kondracke: Did he tell you anything about his battles with Jim Baker over Israel?

Kudlow: No. That wasn't my—I was sort of vaguely aware of that, but, no, I wasn't involved in that.

Kondracke: And how about various fights with [Richard D. "Dick"] Darman over—

Kudlow: Constantly, constantly—

Kondracke: Tell me about that.

Kudlow: —over HUD stuff as well as tax stuff.

Kondracke: Yes, yes, yes. Tell me about that.

Kudlow: Well, they hated each other. They just hated each other. Whoa. And, you know, Jack's a big-government conservative and wanted to do stuff. He wanted to have subsidies for lower-income people to buy their apartments in these housing projects and he was for enterprise zones, and Darman made fun of it with—what's-his-name was in there then, [James P.] Pinkerton, who was kind of a little Jack Kemp agent in the Domestic Policy Council. Pinkerton was a young guy, Jim Pinkerton, bright guy, Libertarian-type guy.

We were going through the new paradigm, which was empowerment and opportunity, but all in the name of helping—Jack was using HUD as an anti-poverty center, basically. That was his vision, and Jack would go off and, I don't know, he'd march in the riots in Los Angeles and stuff like that. That's what people used to—

Kondracke: Visited Watts after—

Kudlow: Yes, that's what I mean, whatever. There were riots and Jack was out there. What the sequence was, I don't know. And Darman wouldn't give him any budget money. That was the key, wouldn't give him any budget money.

Kondracke: And was this because he didn't like him or because Darman didn't believe in what he was doing, or didn't like the outreach to blacks or what?

Kudlow: Right, all the above. Jack felt that, (a), Darman didn't like him, going back many years; (b), in the name of budget restraint, he didn't want to fund HUD; HUD's a backwater agency; (c), there were huge scandals in HUD when Jack came in, not on Jack's watch, before. Jack did a great job cleaning that stuff up. He brought in good people. He had lawyers, inspector generals, and all that stuff, did a great job. But Darman wouldn't give him any more room, and I, myself, believe that Darman didn't really care about helping blacks. I really believe that.

Kondracke: Most of the Republican Party didn't.

Kudlow: Of course. And Dick was a great Boston, Harvard elitist and traditional Republican, in the worst sense of the word, and did not understand what Jack Kemp was about. The new paradigm of empowerment, Heritage Foundation was writing whole books about this and stuff. They just didn't buy it.

Kondracke: Bush didn't buy it.

Kudlow: Never bought it. "Papa" Bush never said a word about it, ever, and Jack was—

Kondracke: And [John H.] Sununu?

Kudlow: Oh, I don't think he gave a shit.

Kondracke: Jack never talked about Sununu?

Kudlow: Only in sort of proper terms, but never—you know, being Secretary of HUD is—I mean, Jack took it and gave it his all for a couple of years, but it's a pretty shitty job. I mean, in the Reagan White House, in the first term, where I worked, the guy who spoke to the HUD Secretary the most, a guy named [Samuel R.] Sam Pierce [Jr.], a black man, a good one from New York, was me. Stockman wouldn't talk to him, and the PAD [Program Associate Director], the Associate Director of HUD housing, I don't think they ever consulted with HUD.

I knew Sam a little bit from New York and I used to talk to him, but when it came time to testify on a lot of these housing bills or

Fannie [Mae; Federal National Mortgage Association] and Freddie [Mac; Federal Home Loan Mortgage Corporation], they sent me up to testify, even though I had no line responsibilities. So it was weird. So what I'm saying is HUD is a really low-end agency, at least in a Republican administration.

Kondracke: What did Jack Kemp think about the kinds of things that led to the housing bubble? In other words, was he advocating widespread home ownership and the low interest rates or—

Kudlow: Subsidy rates. The whole empowerment zone and empowerment idea was ownership, and at the center of that was if you were in a ghetto or an urban-decay area, ownership and a job. Jack was a great proponent of those liberal ideas, but he tried to turn it into conservative ideas by saying, "Okay, I'll give you a subsidy," liberal idea, "but not for welfare; for ownership." It was good, but that means you have to spend money. And when you're running a \$200 billion budget deficit like Bush was then, because it got a lot worse in the recession, they didn't want to give him any money.

Then they got personal. Darman got personal, so Jack was never in the inner circle, no way, and so the supply-side wing of the party had no interest in George Bush after the tax hike, none, all

contributing to his defeat, including me. I mean, I was furious. And I used to run all these errands for Papa Bush in the White House. I had very good relations with him. I ran a lot of errands for him, did a lot of papers, research and stuff. When he would go on the road, he would call me and ask me to do stuff.

Kondracke: The President, President Bush?

Kudlow: H.W. Bush, hell, yeah.

Kondracke: How did you have that relationship?

Kudlow: I have no idea. I guess he saw me at cabinet or subcabinet meetings and kind of liked what I did, and—

Kondracke: From the Reagan days?

Kudlow: Yes, but when he was Veep, we were across the hall in the EOB. I used to run tons of errands for him, stuff. It's what you do. He's the Veep. I liked him. And then when he ran on no new taxes, I said, "Good," so I really campaigned hard for him in '88. I did. And then he screwed up and we were furious. And Kemp was our meeting

place. Kemp was our clubhouse at HUD. Had never been in the building before Kemp was Secretary.

Kondracke: When you say he was "our" club, who do you include?

Kudlow: All of us. The whole gang. We all migrated to HUD. Art, Norman Ture and Steve Entin, all the old Reagan guys, all of them.

Kondracke: So the circle meetings, instead of happening at his congressional office, now were happening at his HUD office?

Kudlow: Exactly right. Exactly right. I knew the secretaries, and, "Oh, Mr. Kudlow, great." That was really full gear, my relationship with Jack was in those years, and we all wanted Jack to run in '92 against Bush, everyone to a T, and there was a lot of speculation about that, but Jack would never do it. He wouldn't do it.

I mean, we'd go to conferences. When was this? I'm trying to remember what year. It must have been '92. It could have been '91. Jack would walk up to you and say, "Oh, my future Treasury Secretary," and Joanne would roll her eyes because she knew he wasn't going to run. [laughs]

Kondracke: He was kidding. Or was he kidding?

Kudlow: I don't know. He had it in his head that he wanted to be President. He had it in his head who his advisors would be, but he didn't have it in his head to actually make the campaign. That's my take. Raise the money, spend a thousand nights on the road. I never believed it would happen.

Kondracke: Were there any strategy meetings about this?

Kudlow: Yes, there were some. There were some.

Kondracke: With him participating?

Kudlow: Oh, yes.

Kondracke: And who was going to be what?

Kudlow: Oh, we never got to that point, but guys like me who were specialists, economic specialists, all of a sudden I was in political meetings with consultants. It was fascinating.

Kondracke: Who?

Kudlow: Well, Ed Rollins was one and—

Kondracke: Scott [W.] Reed, was he—

Kudlow: Scott Reed would be around. Arthur [J.] Finkelstein would be around. Tony Fabrizio would be around. I got Jack to spend some time with John Zogby, who I think is a brilliant pollster, much maligned by the conservatives because he is a Democrat and his brother [James Zogby] runs the Arab League, but really smart, Zogby. So anyway, I brought him in. Yes, so I was in meetings with political—I kind of liked it, if you want to know—I learned a lot, but I never believed Jack would run.

Kondracke: And how long did this go on? Now, Bush raises taxes in '92, right?

Kudlow: Ninety. The bill—let's get the chron right. The bill was passed on the eve of the war, of the Gulf War, so I think it went into place January 1, 1990. So it was passed in late '89. I hope I have that right. Was the war '91 or '90?

Kondracke: Ninety-one.

Kudlow: Okay, so the bill was passed in late '90 and then put into place in early '91.

Kondracke: So the rebellion against Bush among conservatives preceded the war?

Kudlow: Yes. During the runup to the war, the Iraqis invade Kuwait. Saddam invades Kuwait in the summer, I believe August of 1990, and oil prices shoot up and all this stuff. The economy, which is already going down, just started going down big time, and conservatives were extremely pissed off at Bush for this tax thing, pissed off. Now, I'm sure everybody rallied around him during the war, but the war was fast, so it didn't last. This was like Bush going to 90 [polling points] and then back to 40, so it just didn't seem, like, have an impact.

It's a funny story. He probably did it right, and we all should have probably learned from him regarding the second Iraq war. You break it, you own it. But anyway, whatever. But supply-side conservatives were furious, and Bush never forgave them, never.

Kondracke: What did he raise rates to? I can't remember.

Kudlow: He raised them three percentage points, so it was very small, but there were massive increases in sales taxes and luxury taxes and auto taxes. The revenue number was quite big, but the rate hike was small. I believe it was 28 to 31.

Kondracke: So this was make or break? I mean, why was this such a horrible thing?

Kudlow: You just don't raise taxes in a recession. Also, it wasn't the rate. He raised a lot of taxes, only—

Kondracke: Reagan raised taxes in a recession.

Kudlow: Yes, but this is the closing of business loopholes. Bush raised the rate and slapped massive sales taxes. This was the luxury tax that turned out so badly because the boat owners weren't hurt; it was the blue-collar workers. And we believed that he caved in to George [J.] Mitchell [Jr.] and shouldn't have. I don't even remember who was running the House. Was [James C.] Jim Wright [Jr.] running the House? I can't even remember.

Kondracke: I think so.

Kudlow: Whatever. We wanted Jack to resign, everybody, and run for president, primary the son of a bitch. By the way, the guy who did that was [Patrick J.] Pat Buchanan. [laughs]

Kondracke: Right, right.

Kudlow: Your pal.

Kondracke: Right. So how long did this process go on, the possibility of Kemp running against—

Kudlow: I'm going to say a year, something like that. It just all of a sudden—and I'm sure it was after the war was over, but I'm saying that by the summer of '91, or maybe the fall of '91, I found myself in a lot of meetings with political consultants and pollsters and I even contributed. Like I say, I introduced him to Zogby. I might have brought John McLaughlin in, I don't remember, but I was pretty keen on it.

Kondracke: And how did he announce to you that he was not going to do it?

Kudlow: I heard it directly from him, but after it was out, so I wasn't the first guy told. I don't know who was. Who knows. Might have been Rollins.

Kondracke: Then you were on his board at Empower America.

Kudlow: Yes, yes. I was thrilled just because he asked me. I don't know what the hell I did, but I was so happy because he asked me. Really, it was a funny thing. Were you at that opening lunch? I gave a little talk at that lunch. [Eugene J.] E.J. Dionne was at that lunch because Jack was reaching out to libs. I met E.J. Dionne.

Kondracke: So did you have anything to do with the '96 campaign?

Kudlow: No, no. I was lucky to be alive in '96. So I drank and snorted myself out of life. My worst years were '93, '94, '95, more '94 and '95, extremely bad years for me, extremely bad years. My whole life came tumbling down, so Judy [Pond-Kudlow] stuck me out at

Hazelden for five months. Actually, Kemp may have called me at Hazelden, if I'm not mistaken.

So I was discharged in the fall of '95 and I had one job offer. It was Art Laffer, one offer, and so we went. He said, "You're going to come in with me. I'm going to watch you, and you're going to go to your meetings."

Kondracke: Was he then in California?

Kudlow: Yes, he was in San Diego, right outside of San Diego. I went, and I didn't know if I could do it or not, but I got better. I started life. I went to the twelve-step meetings and life got better, and I started doing a job for Art, helping, and Jack started calling. I had nothing to do with the campaign, just he started calling again, and I was pretty thrilled about that. I was pretty damn thrilled about that.

When I moved back east in, whenever, in '97, our relationship continued. He used to have me over for lunches or dinners and he wanted to convert me and Joanne wanted—everybody wanted to convert me to some religion. All I wanted to do was stay off the streets. [laughs] But we did talk a lot about religion and spiritual stuff.

Kondracke: You did?

Kudlow: Yes, we did. We did. And I think, although I wasn't necessarily close to it, I think Jack, himself, was going through some spiritual transformation. That's what Jimmy told me, [James P.] Jimmy Kemp, so I think he was going through some stuff. I think Joanne was exerting a pretty big influence on Jack's, I'll say, spiritual life. I'm not sure how it translated into religion. What's Jack? Jack become a Baptist?

Kondracke: He was originally a Christian Scientist when he was a kid.

Kudlow: That's right. That's right.

Kondracke: And Joanne, of course, is a "born again," but they went to Fourth Presbyterian Church, which is an evangelical mainline church. It's an evangelical Presbyterian church in Bethesda.

Kudlow: Right.

Kondracke: So what is your impression of his spiritual situation?

Kudlow: He talked a lot about God in a disorganized—meaning non-church—way, just talked a lot about God in your life, and it was a subject that I was more than happy to talk about. So I know I felt he was changing.

Kondracke: Changing to become more religious?

Kudlow: Yes, more spiritual. I say that only because I wasn't involved in his church stuff, in terms of organized religion. He was not happy with me going towards the Catholic Church, which eventually was my resting place. I was baptized in the church in '97, I think, yes, but—

Kondracke: You were converted by the same person who converted Novak?

Kudlow: Novak, yes. Father [C. John] McCloskey. He gets his claws into you, he never lets go. Actually, I love it. I loved it the first time I went to a Mass. I'm pretty active in the Catholic Church now.

But anyway, Jack was, I felt—and we would talk more generally about spiritual matters and the role of God in our life, and he knew more about my story than I knew about his story. But I think he and Joanne came to terms with some important issues and—

Kondracke: What?

Kudlow: I want to be deliberately vague about that. I hate to do it to you, but I think there were issues in their marriage and issues in their lives and I think they came to terms with them. I felt—this is sixth sense—that going to dinner there or seeing them wherever, something had changed for the better. It's like everybody was calmer. And I don't think I imagined it, and that sense lasted through the end. It really did.

Kondracke: When did you find out that he had cancer, and how?

Kudlow: I think it was Bona [Park] that told me. It wasn't Jack. It was secondhand, because I knew he was ill, but I didn't know what. He was pretty regular on my TV show, and I knew we went through periods when he wasn't around. And then when he was back, you could hear it in his voice, and he was a little slower than usual. I mean, this is from a high base. I mean, Jack was Mr. Energy, but I felt—and the TV is a brutal picture, doesn't miss anything—I just felt watching him through the months that something had happened.

I remember asking him once or twice, "Are you okay?"

He said, "Yeah, yeah, yeah." He'd say, "Yeah, I'm great, great, great," right up till the end. I spoke to him a couple times down toward the end, and—

Kondracke: It sort of became public that he had cancer.

Kudlow: Yes.

Kondracke: And so did you talk to him a lot during that period before he died?

Kudlow: I did, I mean a lot. Not every day, but a fair amount.

Kondracke: And what did you talk about?

Kudlow: [laughs] Economic growth. You just have to love it. He'd be calling me. He'd see maybe some goofy Op-Ed piece I'd written and he'd call me to congratulate—he says, "God, you're the only one. God bless you. You're the only one that was talking growth," and we might wander off into more spiritual discussions, but he didn't really want to talk about that. He didn't want to talk about the end. He just didn't, and that's where his spirit of optimism was always there.

Interestingly, the last couple of years, he was so great. He was proud of me, you know, that I was doing this broadcasting stuff and it was working. I don't think either of us, neither him or me, ever thought it would, and he was great about that. He said, "You have this great purpose and mission now. Look what you can do. You have this platform. Use it." That kind of stuff. Then half the time, I mean, I hung up the phone and cry because I knew the end was coming.

The truth of the matter is—it's been two years? It's two years now. And I spoke at some of those remembrances down in Washington. I miss him. I tell you, I miss him a lot. I miss those phone calls. The world's gone upside down the last couple of years and it's like, what would Jack say? I think I wrote a column at one point, what would Jack—something like that. Everyone was saying, "What would Jack Kemp say?"

I brought it up just the other night with Gingrich on the set. I said, "What are you always talking about Theodore Roosevelt for? The guy was a big liberal." I said, "Why don't you talk about Ronald Reagan?" I said, "Better than that, why don't you talk about Jack Kemp?"

He said, "You are the worst questioner." This is on the air. He said, "You are the worst questioner. You, of all people, you were part of that cabal."

I said, "Yeah, so how come you don't talk about Kemp?" Then he did start talking about Kemp.

But I basically just loved the guy. He covers such a big chunk of my life from whatever I was, thirty, or slightly younger. I'm sixty-four now. So Kemp was there for a really long time in my life, one of the staples.

Kondracke: How do you think he should be remembered in history?

Kudlow: Well, I think he's one of the great men who never became President and with a tremendous influence in his period, tremendous influence on American life and politics. I don't know. He dated probably from the mid seventies on, and for at least ten of those years, he was, after Reagan, the most powerful man in America in terms of ideas and political thinking. He helped change the whole picture. So it's tremendous.

So the return of classical economics, aka supply-side, Kemp was the leading—even though he didn't always have the story right, nonetheless, the basics. He taught us about growth. Growth should be the purpose and the mission of politics. People should be prosperous and happy and flourishing and climbing the ladder. That was Jack. All that stuff was Jack. He had many other contributions in

terms of national security and so forth, but the greatest contribution will be the growth story and how to get there. I mean, I don't know if he's Henry Clay or whatever he is, guys that were important legislators who didn't become President, but he's certainly one of the most important guys never to become President.

Kondracke: Okay. Anything else?

Kudlow: [laughs] No, I'm drained.

Kondracke: Good. I understand. So am I.

[end of interview]