



GEORGE H. W. BUSH ORAL HISTORY PROJECT

TRANSCRIPT

INTERVIEW WITH MICHAEL BOSKIN

July 30-31, 2001  
Stanford, CA

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**July 30 session**

**Riley:** You have an interesting background as someone who was trained in economics and yet decided at a very early stage to direct that in a very public role in the development of public policy. Do you have any recollections about when you decided that you wanted to have a public service dimension to your intellectual work?

**Boskin:** Well, there was sort of an evolution. At the earliest stage, I wandered into Economics I my sophomore year in college. I had a very boring lecturer, but loved the material and decided to change my major from pre-med to economics. Then my senior year of college I took graduate courses because I wanted to see what graduate school might be like. I was trying to decide whether to go to law school or graduate school. I went around the country and looked at various graduate schools and law schools and talked to people who were practicing attorneys, parents of friends and so on, most of whom were pretty miserable being attorneys, or at least they indicated that they would have done things differently if they could go back and redo their careers.

So I went to graduate school. You need to take two fields of the many fields in economics. I did seven because I was interested in everything. But the things that interested me most were the policy-related fields: public finance and monetary policy, taxes and the budget, and so on.

**Riley:** And you were in a receptive environment for that at Berkeley.

**Boskin:** Yes. I went to Harvard for four days and went back to Berkeley. It's a long, involved short story. I ran into all these people in their eighth and ninth year of graduate school at Harvard. It may have been partly the times, the Vietnam War and so on. Maybe they were extending their draft deferments. But I came from a very modest income family. I wanted to go out and get a job; I didn't really want to stick around forever. I liked graduate school but wanted to start working for my real income, so I went back to Berkeley and was very fortunate. I finished very quickly and then came to Stanford at the age of 24 as an assistant professor and was teaching these fields.

I got into the public policy arena when people took note of some of my research and asked me to come testify before Congress on taxation, Social Security, on macroeconomics, long-run growth. I testified before Congress several times and started to get to know various people, the leaders of committees, the Senate Finance Committee for example, the Ways and Means Committee, and

so on. I first got active politically in 1980. The first time I was active in a presidential campaign I helped [Ronald] Reagan prep for his debates. I was on several of his task forces and so on.

**Riley:** Had you worked with Reagan or his people earlier in California?

**Boskin:** I knew some of them, but not well. Marty Anderson and George Shultz were the ones who got me involved the most, and I enjoyed that quite a bit. I liked Reagan a lot and still do. I think it's starting to come out with these new books that he was quite a bit more knowledgeable and intelligent than the media wanted to give him credit for.

I remember getting into a long one-on-one conversation with him about whether we should have a separate corporate income tax, and it was quite a level of detail about tax reform. He was surprisingly knowledgeable.

**Riley:** This was in preparation for the debates?

**Boskin:** No, it was just one time we were talking after a meeting. We wandered from tax reform in general into the subject. And of course I had this very naïve notion of what was important. We were prepping him for the debate, and I was one of the questioners. I remember asking him a question about Social Security. He gave an okay answer, but we helped him refine it. He liked a particular formulation, and that was going to be how he answered the question.

A very similar question came up in the debate and he made the three points in the reverse order and I'm sitting there thinking, *God, he did it backwards*. Everyone's going, "That's a home run!" Out of the zillions of things the guy had to remember, to be on top of, that he could even begin to remember these three things was incredible. I'm sitting there, *Oh God. He did it in reverse order*. I was so naïve at the time.

So that was my earliest active introduction. But I was very close to Howard Baker when he was the Minority and then the Majority Leader, and I had an immense regard for him. In any event, I got involved with these kinds of things and did my research, some of which was relevant to public policy, and it naturally evolved.

**Riley:** According to the briefing materials, you were offered a position in the Reagan administration and decided not to go?

**Boskin:** I was approached twice about a position in the Reagan administration and demurred both times. I was not "officially" offered a job. I was approached about a position on the Council of Economic Advisers at the start. I had just gotten engaged and decided that a honeymoon in Washington was not the most likely scenario for a successful marriage, and wisely so, I guess. Then later on when the CEA [Council of Economic Advisers] Chairman was going to resign, I was approached about replacing him in 1987. I had some meetings with the Treasury Secretary and the Chief of Staff, [James Addison III] Baker and [Howard] Baker, and went over to see Alan Greenspan, who had just become Fed Chairman. We were discussing what was going on, and then the stock market crash hit in 1987 and the existing CEA Chairman, Beryl Sprinkel, decided to stay on.

I got to know the Vice President through some people on his staff who knew me and knew of me. I'd occasionally have breakfast with him at the Vice President's house when I was in Washington doing other things. I did that two or three times and got to know him. He got to know a little bit about how I thought and I got to know how he thought. I liked him quite a bit and I was asked to play a role in the campaign and became his shadow CEA Chairman or economic adviser in the campaign. I worked with him from California. The people on the payroll of the campaign would call me and we'd talk stuff through and I'd give them ideas and go over the ideas they were thinking of doing.

Then we had several meetings. We had a big meeting in Kennebunkport over Memorial Day weekend in 1988. We were in this cottage with George W. [Bush]. That was how I first got to know George W. pretty well.

**Riley:** There was a reference to something about a four-day meeting in the spring—

**Boskin:** I think it was Memorial Day weekend, but maybe it was earlier. Memorial Day is in May. It may have been earlier than that, but it was over a holiday weekend and we had a bunch of people up in Kennebunkport going over a lot of policy stuff in a variety of meetings. So we hit it off. I liked him. I liked the way he thought and his general approach to issues.

I approach issues and decide what ought to be done. I don't start off, as some people in this world do, as a conservative or a liberal or as a moderate, or as a man or a woman—this is my position. That's to me a very foreign way of thinking about things. But I guess if someone were to try and categorize me, I'd probably be a moderate conservative. I'm a conservative maybe with a little less hard edge. I'm certainly a moderate on social issues, a conservative on fiscal issues. There seem to be three types of conservatives on fiscal matters: those who want taxes as low as can be, those who want to control the growth of government spending and regulation and so on, and those who hate deficits.

Those three camps have argued with each other over the years as to what the best tactics are. Of course, they're all related because if you define spending and taxes, you've got the deficit. If you define the deficit and spending, you define taxes. Any two of the three define the third mathematically.

But there are different approaches and different tactics. There was the [Jack] Kemp wing of the party that wanted to cut taxes to help the economy. Some of those people thought it would also help control the growth of spending. There were people who were skeptical about that, who wanted to control spending first, then do tax cuts later. There were people who worried quite a bit about deficits. So there were different camps within the party on that.

I think from an economics perspective that many government programs don't do very well on benefit-cost tests and that we could and should have a smaller, lighter hand of government. So I'm for all three. But again, any two of the three define the third.

So because I'm not really in any one of the camps, rather partly in all three, I think the people in those camps probably disown me as not being pure enough. That just gives you an idea of where I come from. Because of his voodoo economics statement in 1980, Bush was viewed suspiciously by many conservatives. He was more conservative than they gave him credit for. I think George W. is a little bit more conservative than his dad.

Vice President Bush saw that he would inherit a situation with many good things but with some unsolved problems. We had a long economic expansion in the '80s, but at the end of it there were still very large and projected-to-grow budget deficits, which is unusual. Usually late in an expansion the deficit shrinks because revenues are growing pretty well and the need for social spending declines. So I think he had a variety of things he wanted to do something about. He had a more sensible approach to regulation, although he had some areas he thought the government ought to do something, which turned out to greatly increase regulation in some areas.

**Riley:** You're talking about all of these things at Kennebunkport? All of this is out on the table at this time?

**Boskin:** Sure. A variety of things were on the table at Kennebunkport, but mostly I'm talking about the gist of my getting to know President George H. W. Bush, or "41," in the current vernacular. I think he's a very good guy. He's a very likable person. I spent a little bit of time working with the people who were running the campaign and enjoyed that. He won the election. He had his debates with [Michael] Dukakis; he was behind, you may remember, for quite some time. Then he turned it around, I think for lots of reasons.

The campaign consultants tend to put it all on specific things in the campaign, but there is kind of a natural momentum that occurs. Dukakis went first with his convention and he got a big boost out of that, and Bush was going to get one out of his. But also there has been a natural tendency for the public to swing, and it's not all due to TV ads and so on. The message the campaign is giving out, that's important, but there are a variety of things. In any event, they got to see a little bit more of what he was like, where he was likely to take the country. We had a wide-ranging discussion at Kennebunkport, from the state of the economy to the budget, to regulation, to health care, etc.

**Riley:** Were there only economists there?

**Boskin:** There was a wide range of people. There were several elected officials and several economists there. There were people who had been in government on the policy side. Debbie Steelman, for example, was knowledgeable about health care, and [Richard] Darman and so on. Nick Brady, who at the time was the incumbent Treasury Secretary. There were several other economists: Marty Feldstein, Kathy Eickoff, and several elected representatives like Bill Frenzel, who was the ranking Republican on the Ways and Means Committee, and Don Sunquist, who was a Congressman then and who is now I think Governor, or just recently retired as Governor of Kentucky or Tennessee.

**Riley:** Tennessee.

**Boskin:** Yes, real good guy. Then there were people like [Robert] Teeter and [Craig] Fuller who were running the campaign.

**Weatherford:** Would you describe George Bush as having an economic philosophy that one could discern? Or is it more a kind of ad hoc orientation toward specific—

**Boskin:** Every elected politician, government official, has to be some combination of the two because issues occur in real time with a lot of different aspects to them. They don't neatly fit into an easy-to-roll-out philosophy. And the philosophy is easiest to portray as a contrast to an existing or an incumbent philosophy.

So, because he succeeded Reagan and agreed with much, not all, of the Reagan agenda, despite the criticisms that he wasn't 100 percent on board the Reagan agenda, I think he was widely viewed as being a loyal Vice President. But there was a suspicion because of the campaign they ran against each other in 1980 that he was not a purist on supply-side economics or whatever it happened to be. But he sure believed that incentives matter in the economy and it was good to have lower tax rates, there's no doubt about that.

But Reagan, who I liked a lot and I think did a very good job, had in a sense an easier but perhaps more important contrast to draw because we had high inflation, growing taxes, growing spending. He was running against a Democrat who in those times—you may not remember—but Jimmy Carter's answer to all this was the National Reconstruction Bank with Lane Kirkland and Irving Shapiro running capital markets. I mean, it was really pretty scary stuff, really kind of ridiculous for a market economy, but it was 1980 and the Berlin wall hadn't collapsed yet and so on. I think Reagan had a very strong conservative philosophy of a smaller government, a lighter hand for government, lower taxes, less inflation etc.

There were people supporting Carter who thought we ought to just learn to live with 10 or 12 percent inflation, which would have been horrible. So that contrast of philosophy was easier to draw. Bush's was more of a refinement because I think in general he was conservative. Generally he thought we ought to keep tax rates as low as possible, and that the government shouldn't be growing very much. Other than in defense, where he wanted to make sure that we did whatever transition we did properly, he was generally in favor of a more rigorous examination of what government we needed and pruning it back on spending and on the regulatory side.

But of course it is also important to point out that they had other very large differences. Carter governed with large Democratic majorities in both the House and Senate. He had a very spotty time with that. He often didn't get what he wanted, and you can argue whether he was a good or bad President, but Reagan wound up with a Republican Senate and a Democratic House but with the ability to mobilize what we call the "boll weevils," the southern "blue dog conservative" Democrats who were still a pretty potent force at that time. The South hadn't reconstituted itself completely politically yet, so there were a lot more southern Democrats. So he was able to get his tax cut through and other things. He was very good at it and his team was very good at mobilizing support on those issues.

Bush came in. The Republicans had lost the Senate in '86, so he didn't have a Senate. He had a very partisan Senate majority leader in George Mitchell, who is kind of like the current one, very soft-spoken but viewed part of his job as cutting Bush up. I don't mean that all in a negative sense—that's part of what the opposition's job is. It's more explicit maybe in Britain with question and answer time than it is here.

So, for example, we got our capital gains tax cut through the House, we had 57 or 58 votes in the Senate, and he wasn't going to let us bring it to a vote. We needed 60 under the rules, and he said, "Too bad." Things of that sort. And that was unfortunate, because it would have helped the economy.

Be that as it may, Bush now is governing in a situation where there is an opposition, an opposition that has been out of power in the White House now, at the end of his term, 12 years, but this is the third term they've been out, so it's a much harder task.

**Weatherford:** Had the Republicans changed as well? The Republican Party in Congress?

**Boskin:** I'll get to that in a second. Yes it has, and has continued. I think it is becoming a little more conservative. So to get enough votes, either you get a lot of Democrats or try to do something that was centrist and get some Republicans and some Democrats. There were people in the Republican Party who thought he wasn't sufficiently appreciative of their agenda and who in the end didn't support him on a variety of things.

I'm not going to be critical or supportive of any of that. I think there's a reason why all those people did what they did. They did what they thought was right. In some sense it is unfortunate we couldn't have coalesced and peeled off enough Democrats the way Reagan did, but the numbers were much worse for Bush in that regard.

Bush had a more uphill battle than Reagan did in the early '80s. Closer to what Reagan had in the late '80s, but not quite, in '87 and '88. So I would describe him as conservative but not doctrinaire conservative. Probably in these three camps I talked about earlier, he would have liked to have gotten spending under control and gotten rid of the budget deficit, and reduce taxes, all of them, but didn't focus just on reducing taxes as a mechanism.

There's a lot of debate about the theory that starving the beast will slow the growth of spending, and there was a lot of criticism of those in the Reagan administration who said this would happen because we did have large budget deficits. By the way, people attribute it to tax cuts but in fact, taxes as a share of GDP [Gross Domestic Product] were stabilized by Reagan, then reduced slightly. They were projected to rise a lot. Of course, he properly focused on reducing marginal rates. Spending went up another three percentage points or so and would have gone up even more had it not been for Reagan.

I personally think that elected representatives of the opposition party to Reagan had a different agenda and were able to get much of it passed. Reagan was able to get his defense buildup of a little over 1 percentage point of GDP, which was very important for the country and I think for

the world. It was one ingredient in convincing [Mikhail] Gorbachev he couldn't win an arms race, and I think helped end the cold war. But that being said, there was still a large deficit.

Now I myself thought that over a long enough period of time, we'd grow our way out of it. But that was unlikely to happen in the short run, so I thought it was desirable to do something about the budget deficit. This was dominating the economic discussion, partly because budget balance is kind of an easy thing to describe to people even though the budget doesn't measure what you normally think of. It's kind of a screwy cash-flow measure, and was even worse at that time than it is today. It's a sign of rectitude and living within your means. People have to do that, so it's an easy anchor to think of, even though much is measured wrong and there is no reason that it should be zero every year. If you do it on average over the course of an economic cycle, etc., it might make more sense, especially with due account for large increases in public investment and temporary military buildups, which might best be dealt with in a separate capital budget and be largely debt-financed. It was dominating the thinking at the time, so I developed an approach to dealing with it that I thought was economically sensible and also was something that could be fairly easily explained, which is called the "flexible freeze." I think you refer to it in here if I recall, right?

**Riley:** Yes.

**Boskin:** The notion being that if we allow spending to grow very slowly at inflation or maybe just below inflation but we're flexible at what we cut and what we increase, etc., then the numbers would add up with a modestly growing economy—you didn't have to have a boom. We'd get to a balanced budget with that spending control.

I thought that was the right thing to do to send the signal that it ought to be done on the spending side because there was—and still is—a lot of inefficiency in the government. There were a lot of programs that hadn't been rethought for a long time, all we were doing was adding. All they did was have an appropriations debate over how much to increase the program.

The oversight and management functions were given short shrift because of the annual budget cycle. It's one reason why, despite its many cons, I'm on balance favorable to a two-year budget cycle. It would give in the off year the opportunity to do the oversight and management responsibilities in a more serious way. In any event, that was a major part of the Bush campaign, his major way of dealing with—

**Riley:** Do you remember the timing on this? Was this post-convention or—

**Boskin:** Oh no, this was all talked about much earlier. By the debates, he was using it all the time, but it was developed many months before. I was talking to him about this early in '88. Then we were talking about the idea of what do you do about all the regulation. The Vice President had chaired a task force on regulatory reform in the Reagan administration. He had done some pretty good things and we were going to try and build on that, and then we had some trade expansion that we wanted to do, some trade liberalization. Those were among the major things we were focusing on.



Anyway, that's kind of a long preamble, but that's how I got to know him and how I started thinking a little more of how to explain and market economically sensible ideas. I know there are people who are pushing lots of other ideas that weren't economically sensible. As I found out personally, but had been told by all my predecessors as CEA Chairman, most of what you do is knocking down the bad ideas. Most of your value added is preventing value subtracted. It's a very useful, low-budget organization to do that. It's a long-winded introduction.

**Weatherford:** Was the President highly interested in economics, or did it sort of come on the radar screen when you were there or when there was a problem?

**Boskin:** He was interested. Obviously his first love and interest was foreign policy. I think that wound up being a problem later when he was President, but he was certainly interested. The notion that he was disinterested—he made jokes about his economics major at Yale and having to read all this [Joseph] Schumpeter stuff, and do I really believe that—four letter word. In any event, he was knowledgeable. He asked good questions. I thought he had good instincts, but it wasn't his first love and interest.

**Weatherford:** Was there a different level of interest in macro versus micro? Were there personal stories that animated his interest in economics?

**Boskin:** Well, the number of microeconomic issues that come up is enormous. Our trade negotiation is done product by product, and often bilaterally, with countries. It's unbelievable the number of permutations and combinations. Agricultural export enhancement, the regulation of large swaths of the economy, and all the alphabet agencies in Washington that regulate, telecommunications and the FCC, and you can go on and on. We were still trying, finally, to decontrol natural gas at the wellhead. So there are a large number of those that wind up on the radar screen of a candidate and a President and an administration, a much larger number.

The macroeconomic stuff tends to be abstract until—and if—you head south. It tends to be abstract. They're numbers, they're stories; a large number of people are getting jobs or losing jobs, depending on the state of the economy. The Fed over on Constitution Avenue probably has as much to do with your success as President as what goes on the other side of Pennsylvania Avenue, but most Presidents don't pay enough attention to the Fed.

That's an improper way of phrasing it. It's not that they don't pay enough attention; most of them realize the Fed is somewhat independent, although they'll have conversations with the Fed Chairman. In any event, it's only when they think monetary policy is way out of whack that that becomes a big issue. So if things are going well, they are dealing almost extensively with microeconomic stuff and then trying—[William] Clinton was the extreme about this—to take credit for anything going on in the economy, and trying to dodge blame for anything that's going wrong.

That's the way the White House apparatus is set up. Clinton inherited an economy that had been growing since March of '91 and he was saying it was horrible. By late '92 it was starting to get in decent shape again, and then Bush left. So Clinton inherited an economy that was on good

footing and getting better and he left an economy that was softening. He's now trying to shift the blame to others, saying he was responsible for the best economy in the world.

Leaving aside the question of what he and his administration did—and they did some good things as well as some bad things—to really how much the President does take credit for the short run macroeconomic performance of the economy—when you're the President talking about their education initiative, well, something that is affecting the schooling of people in K through 12 can't plausibly be affecting next quarter's unemployment rate.

The macro stuff becomes overbearing in a soft economy. It weighs on you, and the White House press corps every morning is screaming at you about unemployment or about this that or the other indicator that is going south rather than north. They're kind of barraged by that. But most of the time when things are going fairly well there are large numbers of the micro—mostly regulation and trade stuff. It has macroeconomic ramifications in the overall level of regulation if you add it all up, but it's really mostly the micro that's continually interacting within the political process.

They go to a state that has a lot of this type of industry, that has these sorts of issues and these sorts of problems that tend to be specific, “And also, by the way, we'd like the overall economy to be doing better.” So I think he was interested in both. The large number of specific issues crept up a lot and were kind of dominant until the economy started softening substantially, at which point the macroeconomic stuff became awfully important to him.

**Riley:** During the course of the campaign, who else is he listening to for advice on economic matters? We discussed the meeting, but beyond that, the major sources of advice that he's relying on—if you could, tell us a little about your working relationship with these people, these forces.

**Boskin:** The structure was a little less formal than George W. set up and that I've heard that Clinton had set up in his campaign. George W. specifically had a group of eight or ten of us. Larry Lindsey was the Chief Economic Adviser. We knew he was going to go into the government if “W” became President and so on, and Condi [Condoleezza Rice] had an analogous thing on the foreign affairs side. So it was a little less formal than that. But I was clearly the designated guy outside, highly regarded academic blah, blah, blah. Marty Feldstein was another whom he had had good relationships with.

Marty and I are close, so we stayed in contact, and there were a few others we would get involved for various kinds of meetings. Some people who had been in previous policy positions in government, people like Herb Stein or Paul McEvoy or Kathy Eickoff, etc. On specific issues, we'd get other people involved, just to give you a general idea of how it worked. Bob Zoellick was kind of the issues guy formally in the campaign who had been Assistant Treasury Secretary with Baker. Baker was running the thing. Lee Atwater was around. George W. was around sometimes. Craig Fuller, Bob Teeter. Roger Ailes had his group; Brady was actively involved with them.

**Weatherford:** Was Dick Darman involved at this stage?

**Boskin:** Dick Darman was involved, clearly. I would say Darman and Brady kind of were around Washington all the time and were giving advice on lots of things, but the outside economists were the group I just described and a couple of other people. Lehmann Li, who was in the Vice President's office, was actively involved in the issues side, as assistant to Zoellick. He would get advice from various other people. So, for example, on reducing the capital gains tax, Richard Rahn and I went to see him (chief economist at the Chamber of Commerce).

**Weatherford:** He would ask you for advice about people to add to the team on an ad hoc basis?

**Boskin:** He would ask me to advise occasionally about people who wanted to see him. What, did I think of this person or that person? I'd give him a confidential evaluation.

**Weatherford:** Economists sometimes described political executives as sort of consumers of economic advice. Did you see him as a sophisticated consumer?

**Boskin:** Yes, both with respect to the information and the agendas of people trying to push it. Of course a lot of stuff comes up from specific people that he knows, from a specific industry's executives or people in governmental organizations, or whatever it happens to be. There were people from Wall Street he would listen to, for example. John Hennessy was at Credit Suisse at the time, and others would give him some input or send him missives. So it came widely and I think that's a good thing.

I think it's important to run a tight ship so you run efficiently, and to get lots of different perspectives effectively into the President. I think that's always an issue, how to do that, and I think in some sense President Bush because of historical accident wound up not getting enough of that at times, particularly after the Gulf War.

The economy was weakening in '89 and late in 1990. We didn't find out until early '91, when there was revised data on the third quarter of '90, that it shrank. Originally we thought we were growing slowly like now, so we could have actually been in a recession last quarter. The original numbers were 0.7 percent growth. I was trying to get some people in to get him this information. I was writing this stuff to him but I was trying to get other people in to see him as well, real-world business people, etc. that he liked to trust in, to make him more aware of this.

But then with the budget negotiations coming to a head, Saddam Hussein invaded Kuwait. He was focusing primarily on that. The budget stuff kind of blew up in his face first. Then he finally got it passed with a very, very contentious problem within his party, and in some sense the country, on the tax issue. And then I was trying to get people in there and they go in and say, "Great job on the Gulf War, Mr. President." They'd breathe hell, fire, and brimstone to me and they go in there and they'd say, "Great job on the Gulf War, congratulations." A recession is serious, and if you're unemployed you're 100 percent unemployed. But the Gulf War was enormously important. They never got the second half out.

But I think it's important to have an operation that gets you lots of different kinds of information. I don't believe in monopolies. I wouldn't want to be the monopolist in that situation. In an

economic situation, getting higher return, yes. But I think it would be bad for the President, or anybody, if you're doing an analogous job in another situation, to have one person controlling all the flow of people and information in to you. I think that's very risky.

When Dick Cheney was Chief of Staff to [Gerald] Ford, he had a very effective spokes-of-the-wheel notion about what the Chief of Staff's job was, but that was not followed in the Bush administration.

**Weatherford:** Do you have the impression that Bush had a sense of what the particular strengths, the sort of comparative advantage of different agencies were, that the Council did this, and the Treasury did this, and OMB [Office of Management and Budget] did this, and other agencies like Labor and Commerce were going to come in with economic claims?

**Boskin:** Certainly. And he had a sense of the roles he wanted them to play.

**Weatherford:** Did he?

**Boskin:** Yes. For example, I thought at times he was getting very poor political advice on the economy and told him so, and I said, "It's not why I came here, but I think people—what they're suggesting to you violates common sense."

**Weatherford:** Would this have been from political operatives or from people at OMB or Treasury?

**Boskin:** Both, people around. I don't want to single out anybody in particular, but in general, he was getting advice about how to handle the economy that I thought was poor, at times—how to handle it politically and what to say and do about it. So I said, "If you'd like me to get more involved in these political meetings you have, I'd be willing to do that if it helps you." He was very clear that I was the economist. He wanted me to stay in that role and he wanted to listen to these other people on the politics and public relations, which I thought were pretty bad at times. These are very talented people; they helped get him elected President and so on, and they were talented in many other dimensions. I just think that they—

**Riley:** But these were the people—we'll probably want to come back to this later and elaborate on it more, but just for clarification of the record, these were the people who are working for him in the White House, in the legislative affairs office—

**Boskin:** I'm not saying a particular office. I think the mix of people in the White House, in the campaign, in and around him advising him on the politics and PR in my opinion got, at times, out of kilter. They thought they knew more than they did at times, and they got him out of kilter, and I think that he was overly misperceived as unknowledgeable or inattentive or uncaring about the economy. That was quite inaccurate; he needed to counteract that, and they were not very good about putting him in situations where he could.

**Riley:** I'm assuming that most of this is in relation to what is going on in '91 and '92. This is where it becomes most prominent?

**Boskin:** Yes, but also some in '90, some in the negotiations over the budget and so on and so forth, but heavily in '91 and '92, obviously, where the soft economy heading into the campaign is a very tough situation for him. They didn't deal with that very well, in my opinion, at times.

These were talented people. I think on balance they did some things, and I don't want to exaggerate this. There are many aspects of what happened that were determined by the events. You have a very long expansion—people never like a recession. Nationally this thing lasted nine months, but unemployment went up and there was a cacophony of bad news. The factual events obviously made the job of trying to portray Bush well difficult. That being said, I think there were things that could and should have been done that weren't.

**Riley:** I'd like to talk more on those particular episodes later, but I want to build on Stephen's question and direct you back to the transitional period where each of these relationships is beginning to take shape and the President is deciding on who the team is, what the particular areas of responsibility were.

Maybe you could tell us about your own selection, when you were first approached about staying on in the administration, then what your sense was about how he was setting up the team, the relative roles that people were going to play, and then maybe your assessment about how well they did these things.

**Boskin:** Well, as I recall the period, I was mentioned as possible CEA Chairman late in the Reagan administration, but then my predecessor decided to stay on. I suppose it was kind of natural that he would ask me to do this, given all that. But I hadn't really been thinking about that very much. We never really had any conversation about it. Then he was elected, and I was real happy about that. A few days later I started getting phone calls from the transition. Could I come back and meet, and so on and so forth. At that point I started to think about it. After he got elected it was very clear that—

**Riley:** Is this Chase Untermeyer who is calling or—

**Boskin:** Teeter, Fuller, people like that. Not Chase. And so I went back and had a conversation and I realized in talking to people that you don't go back and have a conversation and say no. We had a conversation about what the CEA could and should do and be. It had almost been abolished in the Reagan administration. Marty Feldstein, a good friend of mine, was alleged to be at odds with the Reagan administration on some things and they almost demolished it. They thought he had done some things that were inappropriate for a member of the team. That was not his view. We had some discussions about what the CEA could and should do and we were both happy with that.

**Riley:** Are you alone with the President at this time, or were there other people meeting with you?

**Boskin:** I was alone with the President-elect, or maybe Teeter was there. So then it became clear that this was going to happen. Then I was nominated and flew back and was presented, one of

these OEOB [Old Executive Office Building] kind of things with the seal of the President behind you and you're announced. Then I realized I was going to be moving to Washington.

I had discussed it with my wife before I flew back to make sure it was okay. I think she was excited for me. We were trying to figure out what she would do and whether she would—she was in magazine publishing so we decided she would work out of New York and commute on weekends, at least for the short term because especially at the beginning I would be working maniacal hours, which turned out to be the case for four years.

Marty Anderson suggested I get a hotel room and plan on living in it for a while, while we figure out where we were going to live, because if we didn't get back there during the transition, a lot of stuff would happen that I had no control over. So I went back during the transition for part of it.

**Riley:** Were you officially on the transition staff?

**Boskin:** No, I was the CEA Chairman-designate and was making suggestions and reviewing various things that were being done, so I had an office in the transition headquarters but I was not a paid employee of the transition. I began thinking about who the other members of the CEA ought to be.

**Weatherford:** Was that basically up to you, or were you given a short list—

**Boskin:** No, I actually decided who I wanted and I had discussed that with the President, and I said, "I'll make sure these are people who will do a good job for you." I got terrific people. John Taylor is tremendous and Dick Schmalensee is tremendous. We had a terrific group of people and got along well, and I think we prevented a lot of value subtracted. The flow of crazy ideas in government is quite remarkable. Economically crazy. They all obviously have a *raison d'être*, but the economics were shaky on a lot of them.

The only thing that came up was that Dick was a Democrat. I said, "Well, I think his views are going to be quite sympathetic to yours on microeconomics." I personally don't view it as a detriment that the council typically had a somewhat nonpartisan reputation. I think that's a good thing to give professional advice. [John] Sununu thought about it briefly and then it was fine. So I was able to recruit two really talented colleagues.

**Weatherford:** I don't want to hop around too much, but I want to follow up on your mention of Marty Feldstein and the status of the CEA. There must have been some real dilemmas between the demands of professionalism and the demands of politics, and one sees the Feldstein episode as that. Did you ever encounter that kind of pressure?

**Boskin:** No. Pressure's the wrong word. I certainly encountered situations where the President decided to do things I disapproved of. Alan Blinder, on the CEA for Clinton, then Vice Chairman of the Fed, also an economist at Princeton, and I were once talking. We said you know there are times you get into these situations on all these issues where the CEA's batting average

is closer to Derek Jeter's than even to Shaquille O'Neal's free-throw percentage, let alone Michael Jordan's free-throw percentage or Reggie Miller's.

Economics is one input into the decision-making. There are many other considerations, and in Washington many things are cross-traded for other things. Sometimes things are done so that this Senator will allow you to appoint a judge—they helped you on this trade issue and you promised them something over here. On kind of cockamamie stuff you think would be a no-brainer, but of course it turns to be against the interest of their particular constituents, and that's how people are elected and part of what they're elected for.

So I was aware of that, and I was prepared to accept a batting average well under 100 percent. But there were times I avoided publicly discussing an issue or I would say, "The President feels very strongly," rather than putting it in my own voice deliberately.

**Weatherford:** Can you give us an example?

**Boskin:** I'll try to think up some by tomorrow, but I haven't thought about them for a long time. But it's certainly something that in the course of the year happens several times. You don't want to go out and make a strong statement supporting something that you fundamentally disapprove of that was done for quite good reasons for the President but that has a shaky economics rationale. We try to be very, very careful about our professionalism and very careful about the numbers and analyses we did about things. They were clearly understood.

The Clinton CEA got into a lot of trouble by greatly minimizing—they did a study that came out with a ridiculously low estimate for complying with the Kyoto Treaty, which was somewhat controversial. But it was what Gore *et al.* wanted, and it was kind of an embarrassment. Laura Tyson did the same thing about the cost of the Hillary [Rodham Clinton] health care proposal. She came out defending what the next day Senator [Patrick] Moynihan, the chairman of the Finance Committee—his own party had jurisdiction—said was just fantastic. The estimates were ridiculous. I never allowed myself to be put in that situation.

I sometimes would say, "If the economy remains strong this will happen, but if not—" etc. I tried to be careful to make sure that what I said was economically correct. Not that economics is always in black and white. There's a gray area and there are different interpretations, but I tried to explain these things and I tried to use the opportunity to write the Economic Reports and other aspects we did to highlight important issues in the economy that weren't getting enough attention in the political process for various reasons.

An example of that was highlighting that even though we had a short-run unemployment problem, we had perhaps a more serious long-run problem: the supply of skilled labor in the economy. And the problem that our education system was not producing a quality enough output to feed into our colleges and then out of our colleges, that this would imperil our economy in the future. This was a little bit controversial because there's an issue of what is the federal government's role in education, which is primarily state and local responsibility. But clearly there was a national concern over the state of education because it's our future labor force. If you

want to collect your retirement benefits, you need a future labor force that's going to be productive.

**Weatherford:** How would you rate the forecasts during your period: the CBO's [Congressional Budget Office] and OMB's and yours?

**Boskin:** I think the forecasts of the economy were quite accurate. For example, with the data then available, it's been revised five times since then and the concept of GDP has changed. I wrote a paper recently showing that in the 168 years of revision—which means, if you revise back to 1959, that's 40 years, then you do another revision, so that there are 168 of those—in the last five revisions, 167 of them had GDP go up. So the concept's being broadened and improved all the time.

With the data we had available, GDP wound up a tenth of a percent from where we thought it would be at the end of '92. Did we get the downturn exactly? No. We said the economy was going to be soft. I announced we were in a recession before there was any hard data of real GDP declining, let alone two quarters of GDP decline, if you want to use that rule of thumb, let alone the specific information people would need at the time. At a time when that could be used to revoke the budget agreement that had been made, that was one of the out clauses.

So I would have former CEA chairmen call me up and say, "Did you clear this with the White House? It's incredible you announced we were in a recession when we don't—" But it was pretty clear to me; I thought we were probably a couple of months late from Bush's standpoint politically, but I arranged to go on national TV to say the R word. Not that at the beginning of 1990 I said we'd be in a recession at the end. I said it was going to be a slow- growth year, and I also said when we were coming out of it. I announced in June of 1991 that I thought the recession likely had ended. I got a lot of crap for this. It turned out to be dated at the end of March. But I said the early stage of the recovery was going to continue to be very weak for another six months. So I think it was very accurate in that sense.

The budget estimates were way off for lots of reasons, partly that the economy changed and softened, partly that estimates for entitlement programs were way too low for a period of time as they wound up being too high in recent years, but especially Medicare and Medicaid wound up growing much more rapidly than forecast for a while. Forecasting's hard, including this sort of stuff, not just the overall economy. But what tends to happen is that forecasters finally say a trend is here. Then they continue it so they miss the changes, the turning points. First they're too low, then they get on the trend, then the trend breaks and they're too high.

By '92 I think OMB was probably too pessimistic about our ability to control health care costs and was overestimating the growth of health care costs. A big part of the budget problem from a PR standpoint, rather than from an economic standpoint, revolved around the RTC [Resolution Trust Corporation] and the S&Ls [Savings and Loan], which all should have been done off-budget. The Democrats wouldn't let us, and I think the people running that did not negotiate hard enough for that. It should all have been done off-budget. It was substantively the correct thing to do and it would have been very good for Bush politically. This was a one-time charge to fill a hole that had accrued earlier from the deposit insurance system.



In addition, there was a massive amount of working capital required to acquire the assets, and then when they're sold off, the working capital was returned. So Bush had this big increase in the budget deficit basically to acquire the working capital, then Clinton got the credit in '93-'94 when the RTC was shut down when all the money was paid back. I think that was pretty clear that was going to happen, but I wasn't the Budget Director or the Treasury Secretary, so I would make these points. But it was too abstract a point I guess at the time.

Also, what kind of screwed things up—I think you referred to a piece—I was giving talks about how when you looked at this properly, when you look at what economists call the “primary deficit,” net of interest and net of these one-time things with the RTC and the slow-down, that we were going to grow our way out of the deficit problem. That was unfortunately interpreted as sending a signal that we shouldn't worry about the deficit, which was not what I was trying to do. I was trying to give a perspective on it. I thought the notion that we should be clamping down on the deficit during a recession was pretty silly. As indeed the current discussion about not cutting taxes because the surplus estimate is going lower is pretty silly.

It turns out that for one of the very few times, fiscal policy is just in time. It's often very hard to phase because you go through the political process, a tax cut to hit in just as the economy is soft. It turns out fortuitously to be the case now. I mean, it's unfortunate we have a slow-down, but it's probably inevitable, given the boom we'd had, so that early parts of the Bush 43 tax cuts are coming just in time. If they had come a year ago they wouldn't have been much good as a counter-cyclical device. Does that answer your question? I forgot what it was.

**Weatherford:** Well, it was about the quality of different forecasts.

**Boskin:** I think at the time I would have said I thought the Treasury was being too optimistic about how little it would cost to do the RTC and I kept pushing [Robert] Glauber and [David] Mullins to raise the estimates. They did once or twice. Again, they were only off by a factor of two. In round numbers they estimated \$100 billion; it turned out to be \$200 billion. I then proposed that we take all this out of the government, that instead of having a government agency, it just be auctioned privately in large blocks.

I remember sitting around a table in the Cabinet room with all the Senators and Congressmen responsible, and the notion that we do this privately was abhorrent to them. There'd be people on TV making money. It was horrible, how could we have that go on? That would have been the most efficient thing to do and could have gotten everything done. The working capital business would have been solved, etc. It would have been worked out by private firms.

We wouldn't have had to create the largest financial institution in the world inside the federal government but, indeed, this institution did shut itself down and now, if you look back historically and you compare the state of Japan, who'd have ever guessed that our solution to the S&Ls would be viewed internationally as an historic example to follow? So it was pretty good for government work. From a historian's perspective it looks much better than contemporary history at the time.

I think the management of it at the time, while I would have preferred to set it up outside the government and auction these assets privately, that would have been by far the best thing to do—it turns out that despite the pros and cons, the people in Treasury did a very good job. John Robson got the short straw and got put in charge of trying to take care of this. I think he did a very good job of keeping the snakes under the rocks.

It worked out pretty well. Whether it could have been done for a hundred instead of two hundred or whatever, it's not the trillions that the Japanese are sitting on right now, and our economy got going again. We cut our losses.

You have to remember, the S&L problem basically happened in the late 1970s when the combination of high inflation and deregulation of interest rates drove interest rates through the roof, and that wiped out a third or a half of the value of the fixed-rate mortgages S&Ls at that point had on their books. Now they just originate them and send them on.

So the S&L industry was under water to the tune of over \$100 billion in 1980, according to the Federal Home Loan Bank Board. Then we kept them open in a variety of ways, trying to get them back on their feet. I wasn't involved, but the country, our elected officials, through various types of things were trying to get them back on their feet, and it kept getting worse.

We raised deposit insurance amounts so that they attracted more capital, and more risks were taken. It was a put option on the taxpayers—heads I win, tails the taxpayers lose. So we basically staunched that, it was not a pretty thing, it was not done as well as it might have been, but as I look back on it now, historically, it's unfortunate that we have to look at it through the prism of what's happening in Japan. But given we do, it looks like it was done very well. So there are lots of examples of that sort.

There were examples of what would happen from Brady's plan for Third World debt, which again I think on balance turned out to work out very well. But there was a wide range of estimates inside and outside the government about how this would work, it wouldn't work, it would cause more problems than it would solve. It would solve problems, etc. It tended on balance to work out pretty well.

The deficit numbers tended to dominate everything in the discussion, as I said, because budget balance was seen to be kind of an anchor or a sign of rectitude by the public. You'd get this number and there was too much treating it like an accountant treats it. If the number is \$200 billion, then we have to figure out exactly \$200 billion of things to get here, even though everything we do is a function of how the economy performs. But that's Washington.

This is kind of what's being done with the surplus now, in reverse. And, by the way, the Reagan notion—only partly President Reagan, but there were some particular people in their administration who pushed this more strongly than others: that any additional revenue would be spent seems to have played out pretty well the last three years. That's exactly what happened at the end of the fiscal year; the surpluses were spent. It's very clear that they're going right up to the limit, maybe over it in the non-Social Security surplus now, and likely to continue to do so for the next few years.

So I think history has made that—even though it's not mechanical, it's not automatically one for one—history has demonstrated as an empirical proposition, a large part of any additional revenues would wind up being spent. So treating the deficit or the surplus as an accounting number, that if we have a deficit and we raise taxes by \$100 billion dollars over a few years that will reduce the deficit by \$100 billion, is pretty dicey. There is both the harmful economic effect of raising the taxes and the fact that a lot of it will end up just being spent. Which, by the way, George W's first of three major reasons to have his tax cut was that the money was sitting there, it would wind up being spent.

**Riley:** The estimates were only one dimension of the relationship with OMB.

**Boskin:** Sure.

**Riley:** You said that you came to Washington during the transition in part to kind of keep an eye on things and make sure that your portfolio was protected—

**Boskin:** That would be a typical phraseology, but basically I was going to have to recruit members to see who did what. I wanted to be sure there weren't ludicrous numbers put into economic forecasts. We were inheriting a set of numbers which had a couple of screwy things in them, for example, a difference between a CPI-U [Consumer Price Index-Urban Consumers] and a CPI-W [Urban Wage Earners & Clerical Workers] of a percentage point which had never been seen before, one of which indexes taxes, one of which indexes benefits.

You can play games to get the numbers down. We were operating under the Gramm-Rudman rules at the time, which required you to predict for the following fiscal year a specific deficit number, obviously some result of your economic forecast, your budget forecast, your revenue forecast, etc. You've got to churn all that massive stuff and come up with a specific number.

The idea of Gramm-Rudman was a good one, to try and put pressure to do something about this and get the spending and revenue sides connected somehow. But because it was a snapshot, it created some silly incentives. If you forecast it, fine, then a day later you can go on your merry way and spend a lot more. So there was an interesting set of relationships.

First of all you have to understand that many of the staffs of these agencies have been around for a while. By and large they're pretty good professionals. They're trying to do the right thing, trying to do a good job, and they're staff at OMB, staff at Treasury. The CEA has a very tiny continuing staff, which tends to be a couple of people in the statistical office and secretaries. The economics staff tends to change over every year.

**Riley:** So you're involved in recruiting—

**Boskin:** That's right. The CEA is set up as a Chairman and two members. Usually those people are recruited from academia, occasionally from the private sector. They're usually, almost always, professional economists. There have been a couple of occasions they haven't been. One member or a Chairman has not been a professional economist by the economists' definition of a

Ph.D. in economics, and a working practice in economics as opposed to business or something else. Then there are nine or ten staff economists, and you generally have people with specialties in different fields.

You get an international economist because that person's got to deal with all the trade and financial institutions and so on. You get a labor economist dealing with the labor market and immigration and all that kind of stuff, a public finance economist to deal with taxes and spending and the budget, a regulatory and industrial organization, all the regulation concepts.

There are areas of economics you get specialties in and the people then interact with those people. So the industrial organization has a lot of interaction, for example, with the antitrust division of the Justice Department. Nobody else would have a particularly strong reason to. The Chairman might. I did with the Attorney General, the Deputy Attorney General, and assistant for antitrust. I would because I was interested in the subject, but none of the other staff people would have a particular reason to be interested in that. And you'd have a monetary macro forecasting couple of people. So, you had to recruit those people. Those people rarely stayed for two years. Generally they came for one year, usually from academia.

I very much thought it would be worthwhile. I tried to recruit one person from the government, from another agency or from the Federal Reserve, which has a lot of good economists, because I thought it would be useful at the very beginning for the academics showing up to be working with somebody who was more used to the way Washington worked. The kinds of things like prepping your principal for the meeting at 2:00 was quite valuable. Getting the stuff to him at 2:05 was useless. The decision was made.

**Weatherford:** Academics aren't used to that?

**Boskin:** You do some things to push your position or develop your position, support your economics that you would normally not think of as an academic. I remember for example I was put in charge of our negotiations with the Russians—still the Soviets at the time. Gorbachev was still in power. There was this big move to give Gorbachev \$100 billion dollars to bail him out and save the Soviet Union. The typical suspects were pushing this.

But then, [François] Mitterrand and John Major, but especially Helmut Kohl, were bugging President Bush to do this because Kohl was trying to get the Russian troops out of East Germany. He'd given a large sum—ten billion Deutschmarks—to build housing, to regarrison, and so I wound up getting involved in the negotiations. I was in charge of that. Another thing I did, I was on a small working group that was in charge of our relations with the former communist countries: Poland; Czechoslovakia, before it split up; Hungary, and so on. So we went to Poland, myself and the Agriculture Secretary and the Labor Secretary and Commerce Secretary and so on. Then Lech Walesa is going to come visit Bush.

We are trying to figure out what we can do to help the Poles. Of course, more foreign aid isn't exactly what we think is right. We think trade rather than aid is the right thing to do, and I think it is, but it turns out the Poles' comparative advantage is in the three most highly protected products: textiles, agriculture, and steel. Especially heavily protected in Western Europe, their

natural trading partner because of transportation costs. Walesa is going to arrive, and we're going to announce something we've done.

This is another thing you get used to in Washington. These events have to have something to announce, something positive—help this, that, and the other thing. So we had to announce something we were going to do and we thought, okay, we're going to have—I don't know if this number is right—but let's say 20,000 more Polish wool women's skirts. But of course the textile agreements are all down to specific this amount of wool, etc. So we put our trade representative's office in charge of that, the Poles send their person. I send my person working on that down there to keep an eye on it because I don't trust the guy working for the trade representative's office.

I kept hearing that the trade guy in textiles really worked for the South Carolina and North Carolina textile interests, which is not surprising. Certainly you have to take those things into account. Those Senators are important, they're part of the country, and you can't just ignore them. But this was sort of a big deal—freedom, Lech Walesa's coming, Bush has this initiative—all we want to do is have a few more Polish wool women's skirts. I understood it kind of ruffled some feathers. But the guy clearly wasn't going to deliver. He was making up excuses.

So finally on the second day I went over and said, "How's this going?" And he said, "It's not going very well." And I grabbed him and started yanking him across 17<sup>th</sup> Street and I said, "I want you to go tell the President why you're not delivering on his program." I didn't even know if Bush was in town. If you had told me I would do something like that to promote free trade, I would have never....

Even though I'm a free trader, I'm sensitive to the notion that our own industries and occupations and so on are heavily disproportioned in different states. So I think if somebody were too dismissive of the concerns of the producers and textiles, etc.—I don't know what goes on with contributions and who supports who and all that sort of stuff, but as a general proposition, it is one thing we ought to take into account. It's not the only thing.

This guy clearly was not interested in delivering or in getting the people back in the Carolinas upset. While I understood that, I thought we had in this particular case a higher—it was such a small amount. We had a particular purpose and a particularly good reason to trump that particular problem. Back in 1987-88, I wasn't thinking *that's how you get something done*. I guess you can be a totally ivory-tower person. But I tried to get stuff done when I could.

**Riley:** And so part of what you saw you were doing in the early stages was acclimating this professional staff to a different....

**Boskin:** I tried to get one person who had been in the government or at the Fed as a staff economist, e.g. from the Agriculture Department. It was hard. There aren't that many good agricultural economists out there. I'd sometimes get somebody from the Agriculture Department or from the Federal Reserve or somewhere like that, and you know the Federal Reserve isn't quite a typical Washington agency. It's somewhat different, but at least they have more of a sense of the time pressures, of what staff work is and stuff like that, at least some people do.

I had some very good people there. I think that was helpful. I tried to create that sort of an environment for them. I tried to get them used to going to these interagency meetings and figuring out how to promote good economics when you sometimes have people who are promoting the interest of the agency that they represented and the interests of the people for whom the agency was created.

**Weatherford:** This is a nice insight into how things work day-to-day and it reminds me of a question I did want to ask.

[BREAK]

**Weatherford:** I thought the vignette about trade with Poland was a nice insight into day-to-day, and I wonder if you could tell us about your relationship with the President day-to-day, week-to-week. Did you see him regularly? Did you see him alone or in groups? Did he want you to come in and see him often?

**Boskin:** It varied. Some weeks I'd see him three or four times, sometimes I'd see him three times in the same day, depending on what was going on. Most of the time I saw him intermittently. When I would see him I would usually want the other economic players to be involved because I had something to say, and I thought they ought to hear it too. I'd sometimes have someone from the Treasury, OMB, usually Brady and Darman.

Sometimes it was a broader group, sometimes it would include [Robert] Mosbacher, sometimes it would include the Commerce Secretary, sometimes it would include [Jack] Kemp and [Elizabeth] Dole, HUD [Housing and Urban Development] and Labor Secretary. It would vary, depending on what was going on, but it was rarely alone. It usually included the Chief of Staff or the Deputy Chief of Staff. I think that was very frequently the case with everybody who saw the President, actually. Not always the Chief of Staff but—

**Weatherford:** Did Sununu sit in on the meetings?

**Boskin:** I think it was usually the case that Sununu or someone else from his office would sit in. Occasionally I'd have lunch upstairs in the private office with the President. A couple of times I brought the other two council members over. These little vignettes of personal time with the President I think are part of what—especially for someone who doesn't get to see him that often—makes it worthwhile for those people who take the time out of their life to serve their country. So I would bring John and Dick over a couple of times for a private lunch. I'd always arrange for a signing ceremony for the Economic Report in the Oval Office so that we'd spend some time with him.

There was a period where this became a serious issue. It was unfortunately a period where the economy was soft and Bush was getting into some trouble. It's alleged to me by other people that he was curtailing who he was seeing generally.

There were rumors that he was not 100 percent, that he had this illness that people—not inside the government, but it was alleged by people—I had a period where all of a sudden it was much

harder to get in to see him. This coincided with a period where I think he was perceived as not as fully engaged as he might have been on the economy as it was softening, and he was getting a lot of bad publicity and attacks from his political opponents about it.

At one point I came to some sharp words with the Chief of Staff about it and said I was going to go in and resign unless this was changed because I thought what they were saying and doing about the economy was wrong. I had a long talk with the President and this was modulated some, both my access but also they had a more careful tone in what they were saying about the economy.

**Riley:** This was when Sununu was still Chief of Staff?

**Boskin:** Yes.

**Riley:** Could you tell us a little bit about your relationships then with the other members?

**Boskin:** I should have mentioned Sununu earlier actually. I mentioned Treasury and OMB, but John, who is a very bright guy, very talented in many ways, and someone whom I liked but many other people viewed as pugnacious.

I had the advantage being an academic, you know, we'd be sitting around at a senior staff meeting and everyone else would call him Governor and I would call him John and I could get away with it. If you're an academic they expect that if you're not wearing patches on your sleeves and your shoelaces are tied you're viewed as ahead of the game, I guess. So I adopted this more casual atmosphere. There were a lot of people who were intimidated by his intellect, which of course did not intimidate me. I never felt a need to flaunt my intellect, but I certainly was not intimidated by his. In any event, I was a Sununu fan in many dimensions.

**Riley:** You'd had relations with him before—

**Boskin:** We knew each other a little bit in the campaign, not a lot, but a little. And I thought the Chief of Staff's job in many ways was the hardest job in Washington. You know, you have to take a lot of the arrows for the President. You have to make a lot of tough decisions and so on.

I got along with John fine. He had his problems later with the travel problems and so on. Some Chiefs of Staff don't get deeply involved with policy. They operate more as a gatekeeper. They're sort of knowledgeable about it. But John was extremely interested, and I suspect, particularly on the domestic and economic fronts.

He had a harder time playing a large role on the foreign policy side I would imagine, given the close relationship the President had with Baker and [Brent] Scowcroft of many years, and they were very close to him. I don't know that for a fact, but I've heard that from other people. It may or may not be true; I was only involved on the foreign policy front when it related to economics. What should we do for Panama? What do we do about the strategic petroleum reserve as we're getting ready to go to war? Stuff like that.

I had substantial interaction with those people in those kinds of settings and thought they were very talented, particularly Cheney, who was the most impressive of all those people to me. But many of the others I thought were quite good. Baker—every meeting I was ever at with Baker he came prepared. He knew exactly why he was at the meeting, exactly what he needed to accomplish at the meeting. And we would have a monthly meeting of the CEA Chairman, the Treasury Secretary, the Budget Director, the Commerce Secretary, and the Secretary of State.

**Riley:** Monthly.

**Boskin:** I think it was monthly. Maybe it was every two weeks. In any event, we'd go over a variety of international economic things that were going on. Baker would—and there were many other circumstances where I was interacting with him on issues ranging from immigration liberalization, which I was pushing, to other things. I was generally impressed with the foreign policy side of the House from the limited interaction I had with them in day-to-day activities.

But Sununu was very interested on the domestic side and was knowledgeable about a lot of things. As Governor of New Hampshire you don't need a foreign policy for the Canadian border. If you're from Texas, as George W. has found out, you obviously have a lot of interaction with Mexico, trade and immigration, legal and illegal, and so forth. I don't know if Sununu was ever close to the Prime Minister of Canada in the way that Bush became close to the President of Mexico. So anyway, he was knowledgeable about a lot of stuff, on regulation and on taxes and so on and so forth.

**Riley:** So you felt he was a useful person back to the President.

**Boskin:** He wanted to and did play a sizable role in that. There were some things that were formally the role of the CEA, Treasury, OMB for example did the economic forecasts. There's something informally called the "troika" of those three agencies where the staff develops a forecast and the principals agree on it and then the President finally has to sign off on it. But anyway in a lot of the decisions Sununu played a role. So even though it wasn't supporting, he wasn't the head of an agency per se, he was, he played a role in that regard and I should have mentioned him earlier in the list of people I interacted with.

So I would see him regularly. I'd see Brady and Darman fairly frequently, Kemp, [Clayton] Yeutter, Mosbacher, Dole depending on what was going on. Now, those latter people were in agencies that weren't adjacent to the White House. They had to drive over and they had their own portfolios of things, but I would see them at various economic policy council meetings, at various Cabinet meetings, at various other situations where we would be discussing policy issues. Carla Hills I should mention. I think she was quite talented as well.

**Weatherford:** Did the troika emerge as a usual decision-making body, or the troika plus Sununu, or—

**Boskin:** The troika is a name given to this process of developing the economic forecast for the budget. The three agencies develop the economic forecast and the other forecasts that underpin the budget. That's been going on predating Bush back many, many administrations. But in terms



of decision- making, I don't think it was quite that. There were many decisions in which the natural proclivities of the economics agencies would align and that would often be OMB and Treasury and CEA, on most microeconomic regulatory things for example.

The Treasury, OMB, and CEA would be deregulatory and OMB and Treasury would be pretty sympathetic to our point of view. Whereas on some of them, the Commerce Department might not be for this, that, or the other reason. The Commerce Department may have a slightly different view of trade, for example, whereas Treasury, OMB, and CEA were big free-trade agencies, and so on. But those other agencies, including the Treasury, were quite turf-conscious.

The CEA has no turf. Its sole legal statutory responsibility is to write the Economic Report of the President. We don't sign any contracts. We may buy a couple of computers every year, have some miscellaneous other things we do. So it's a very tiny budget, which every year they would ask to reduce by \$1,000. It was kind of interesting. I can give you a variety of funny episodes that went on, but it's probably not your main purpose.

**Riley:** No, but it's useful.

**Boskin:** You had to have a little bit of a sense of humor to be in government I think. Every year Congressman Ed Roybal from Los Angeles was the chairman of the Subcommittee of State, Commerce, and the White House. What was it? I forgot, there was a series of things that included the White House and Executive Office of the President, and the CEA was part of his thing.

Every year we go up there and he'd start off by saying, "Chairman Boskin, you sure you have enough money?" Because I guess we were viewed as not particularly political and fairly professional. It's a tiny budget, right? And he was especially concerned that we had enough computers. He was an older gentleman, but he was interested in making sure the government was efficient. So every year I would say, "It's very tight as always." You know, "We want to spend the money wisely," and so on. And every year we'd get what we asked for minus \$1,000.

The last year, the fourth year I go up there, I'm the first high-ranking government official to go to Capitol Hill after the Post Office and banking scandals, which you may remember. So there's this big scandal in the House, especially in the House about kiting checks, though they were kiting them to themselves—[Daniel] Rostenkowski was getting in trouble for the Post Office. Then, you may remember, the Democrats launched a counter-offensive about the excessive spending in the President's office in the White House and Air Force One being too lavish and so on.

So I get up there and the first three years I've gone up there it is Chairman Roybal, the ranking Republican, a stenographer, one pool reporter, and me and my special assistant, the only people in the room. I mean, what's there to argue about? This is the rounding error. So, I get out of my car this last time and I'm hounded on the way from my car to the hearing room by maybe a hundred press people. Quite remarkable.

I get into the bowels of the House, into the hearing room, and it's full. These people were on the committee or the subcommittee. I'd never seen them before. Chairman Roybal says to me, "It's good to see you, Chairman Boskin." So-and-so, I won't mention his name, "has to get back to the House for a vote, but I guess they've waived privilege. He'd like to ask you a few questions before he leaves."

The first question is, "Tell us about your chauffeur-driven limousine." I look at him and say, "I don't have a chauffeur, don't have a limousine." "I hear you have a chauffeur-driven limousine." "No, don't have a chauffeur, don't have a limousine." "Well, what do you have?" I said, "Well, there's an Army car pool, whatever driver is available, and it's a four-door Chrysler. I wouldn't call that a limousine."

And he goes on and on, "Well, tell us about the free medical services you get down at the White House." I said, "I suppose if there's an emergency they'd take care of me, but the only medical services I ever got was referral to a private physician." And it goes on and on like this. "Tell us about the White House bowling alley." I kind of smiled and winked and said, "I don't know where it is."

This goes on and on, and finally he says, "Let's get back to your chauffeur-driven limousine." "Don't have a chauffeur, don't have a limousine." "You want us to approve \$3 million for your agency and you can't even tell us how much it costs the taxpayers to pay for your chauffeur-driven limousine." I look at him and I go, "I can tell you exactly how much it cost for the taxpayers to provide me with portal-to-portal car service from the Army motor pool for my four-door Chrysler sedan. It costs about \$1,500. I can get you the exact number if you'd like." "Well, how do you know that?" I said, "It is taxable income. I pay taxes on it." Ashen-faced. Hearing adjourned.

I'm sure all the people that were getting the same thing from the Congress were paying taxes on it, but they just wanted to double-check to be safe, I guess. But anyway, you go through these silly moments to serve your country. That's an aside. There are many other amusing moments. Tomorrow remind me to tell you about my visit to the Soviet Union. Bush sent me to help Gorbachev. There were some pretty funny aspects of that trip in addition to the serious work.

**Riley:** I'm going to make a note of that to make sure we get to it. I want to ask you a question about the relationships within the troika. You said that the CEA doesn't have any turf and the Treasury Department is turf-conscious, OMB is turf-conscious. For those of us who are outside the administration looking in, we see among the troika yourself and two other people who have, I wouldn't say high profiles, but certainly cut fairly high figures within the administration.

Brady has had a longtime personal relationship with the President. He comes out of a background that you said is something that resonates with the President when you were looking for people to go talk with that come out of a business rather than an academic background. On the OMB side, Darman is somebody who, at least in the testimony that we received from your colleagues, is extremely turf-conscious. He really wanted to have his imprint on public policy of all dimensions, but especially economic policy.

Tell us a bit about how you operate in that kind of environment. How do you make your imprint in an environment where you're dealing on the one hand with somebody who is a very close personal friend of the President, who regards that very highly, and on the other hand somebody who is a very dedicated, turf-conscious, bureaucratic expert at infighting.

**Boskin:** Well, I certainly think Darman had spent much time in the government and was used to infighting. He'd been inside the White House and controlled the flow of paper to Reagan at one point, had been Deputy Treasury Secretary and so on. Brady was one of Bush's two or three closest friends, I assume still is, which is fine.

I never viewed myself as going there to have a personal imprint. I went there to try to help Bush and try to give him professional economic advice and try to have that be a useful input to him as he was making decisions. So there were many times in which the substance lined up and we were all in agreement and the agencies were in agreement and the people working for us and the agencies were in agreement well before it got up to us. I would say that that was the majority of time on most economic issues.

When I said that Treasury can be turf-conscious on financial institution regulation or on the dollar and stuff like that—people can try to be turf-conscious. It's just fine. I think it's probably awkward to have more than one person since most other governments have only their finance minister speaking about their currency. Occasionally the Treasury made kind of silly statements about the dollar, economically vacuous. I would let them know that they should stop making them. Generally I thought it was fine to have one spokesman for the dollar and I didn't need to get actively involved in that.

OMB had its things that it did, etc. Certainly Darman was very interested in lots of econ policy. He liked to pay attention to everything that was going on. I think it's his inclination and residue of having been in the White House and wanting to be close to lots of decisions and viewing himself as Brady partially did as very knowledgeable about the politics of stuff rather than just the budget substance or the OMB substance or the Treasury substance as the case may be. So you tried to work with him. Sometimes you were at loggerheads. Sometimes you'd argue it out.

I tried to be friendly and professional and supportive of everybody. There were clearly times that other people were not playing that role. I tried to be supportive of all my colleagues because I think that's what the President wanted me to do. When they did stuff I thought was not in the President's best interest—not that they didn't see it as, but I disagreed—I would let them know that or I would let the case be known higher up. But I did that infrequently. I mean, every time you have a disagreement you don't say to the President, "I disagree with XYZ over A, B and C." He gets memos explaining those differences in the regular flow of stuff as decisions get made. And some very tough decisions were being made, in real time.

I thought it was important we do something about the budget deficit. I was disappointed with where things wound up, but I think that was partly the politics of the coalition. Despite the public perception, I was not part of our negotiating team. That was Brady, Darman, and Sununu. There are people who are very critical of them and I see why they're very critical because there are aspects of the outcome I thought were damaging to the President politically; however, they were

in a tough political environment with the Democrats with majority control of both Houses. In the end, President Bush made the decision he made.

I think insufficient attention was paid by the administration in explaining that two-thirds of it that was on the spending side rather than the one-third that was on the tax side, because that was so prominent given his “no new taxes” pledge. He paid a very, very high price for that. In any event, there were people who thought that they could have had a better outcome. I don’t know if that’s possible or not. I mean, I entertain the possibility but I try not to be in the blame game.

There were times I would get calls from the Treasury asking for my help on something because they felt that other people were cutting them up or changing their stuff or pushing their stuff off the agenda.

**Riley:** This would be directly from the Secretary?

**Boskin:** Occasionally from the Secretary, but more likely a step or two down. Stuff would be in a Presidential speech and then would be taken out. You know how these things are, they’re circulated among the group and all of a sudden their stuff is out of there and I’m trying to figure out why. So I think there was a view at times in this group, and I think it’s natural.

There’s a natural and not unhealthy tension among people in this sort of situation if it’s kept in moderation and not allowed to obscure the purpose of trying to do the best job you can for the President and the country. I think that tension is aggravated a lot when things are not going well. When things are going well, you know—Clinton inherits an improving economy and it keeps going—it’s a lot easier for everybody to get along and smile, even when they disagree.

I’m told that the Clinton CEA made valuable critiques of the Hillary health care plan. It was ignored. Still when it got out there, the CEA Chairman went out and started hyping it, started selling it. Some people thought that was inappropriate, making remarks that lost credibility because the numbers were so suspicious. But who knows. You draw a line and make your own decision about what you should and shouldn’t be doing. As long as you have that lined up with what the President expects of you, you expect of the job, and you expect to do to help him, I think that’s fine.

I’m not criticizing anybody else who has drawn that line differently than I did, more or less aggressively with respect to the politics. But in a strongly growing economy, it’s very easy for everybody to get along because the PR and political pressure is much less. When things are going poorly or there is a downturn where there is a lot of political and public relations pressure, people tend to look for other scapegoats. I’m not saying this group, or any individual scapegoat, is wrong. People talking to the media tend to blame other people to try to make their principal look better. That’s typical Washington bullshit. Stab somebody else in the back for target practice and then you might eventually need it. I just refuse to play that game.

I would clarify stuff with the media. There were examples where people were pinning the tail on some donkey, which was totally unfair. I tried to straighten it out without being nasty or blaming anybody. I tried to be factual. I had my confrontations with the people you mentioned, with

Sununu and Brady and Darman, but I don't think they were vastly disproportionate to—there were times we agreed on what ought to be said and done and how it was being approached. There were times we agreed on a policy and there were times we disagreed and we argued it out. The President made up his mind.

**Riley:** You would do this in front of the President?

**Boskin:** Sometimes. I think the President's preference would be we argued it out and came to a consensus. But obviously there were times that was not possible. We'd have arguments in front of the President. There was an argument, for example, about what to do when the economy was soft. I thought the President needed some sort of economic program, and it might at that time include a temporary tax cut.

There were people who were vehemently against that. I think it would have helped him substantively and politically to have had that, but maybe I'm wrong. I was the academic, what do I know? I'm the economist. I heard that widely. "You're the economist. What do you know about politics?" Well, I don't know if what I viewed as common sense would have been any wiser than anybody else's, but I had my opinions and I let them be known.

**Weatherford:** So you argued that out in front of the President and he ended up making—

**Boskin:** Occasionally. This particular situation, certainly, we had this argument in the Oval Office.

**Weatherford:** Did the President make the decision at the time, or did he go away and think about what he'd heard from all the people who were there?

**Boskin:** Usually he made a decision later. Well, it depends on how ripe the thing was relative to final decision, how imminent the decision had to be or how clear it was to make. Sometimes he'd make a decision. Sometimes you'd leave a meeting with a clear impression what the decision was going to be and sometimes he was going to take some time to think about it or weigh the consequences, so it varied.

Meetings with the President were not always decision meetings. Sometimes they were information meetings, sometimes they were preparation meetings. Sometimes they were prepping getting him ready to brief. Sometimes prepping him for press conferences, but they were often getting his base of knowledge—getting a lot of people working on a lot of stuff to wind down to the essentials to economize into the scarce resource, the scarcest resource being his time.

**Weatherford:** Was there any orchestration of these meetings? Was there anyone who came in and called on people, allocated time to make sure that every view got heard equally?

**Boskin:** It varied. It wasn't highly formal. Usually the person who requested the meeting kind of ran it. Obviously any time the President interrupted, whatever the President wanted ruled. And should. Occasionally Sununu would direct traffic for various reasons. But if I called the meeting

I would say, “This is what it is for, this is what we’re doing,” and others, Sununu or Brady, might interrupt or ask questions or make their case known. There were many meetings I’m sure they called that I wasn’t at, but there were many that I was, and I would put in my two cents whenever the time came, or 20 cents or a dollar, or a yen or Deutschmark or whatever.

**Weatherford:** Did the more forceful people tend to carry the meeting? Did the quieter ones get run over?

**Boskin:** Obviously there are some pretty strong personalities, Sununu and Darman being very strong personalities, Kemp being another strong personality. Mosbacher, Brady, weren’t as strong a personality in that sense, in terms of every second they’re prepared to say something or argue some point, but they’re close to the President, they made their points effectively, they got them across. So there were people who were strongly opposed to Brady’s Third World debt suggestion, but the President went along with it. Brady got his way and it turned out to have been a very good idea, as one example.

The ideal scenario was when something which was in the bailiwick of agency X, HUD, or Agriculture, or Labor or Treasury or something, would be developed by them and then kind of refined and worked and critiqued and hammered and improved by some interagency process, then going forward. That’s kind of the ideal scenario. Maybe that happened half the time and then the other times you had arguments, people have genuine disagreements. “What do we do about steel VRAs [Voluntary Restraint Agreements]? We want to phase them out.” And other agencies don’t and you’ve got to weigh this back and forth, here are the options.

Another person I should mention is Roger Porter, who as the Assistant to the President for Domestic and Economic Policy did a good job. He was at many of these meetings and often added to the discussion. He tended to be more of a synthesizer and a preparer of the options to go into the President. He wasn’t as strong a personality as some of the rest of us, but was effective behind the scenes.

**Riley:** Roger had economics as part of his portfolio in title. Was that true of his actual work? Was he as involved in these things as you were?

**Boskin:** It varied, but he had some good people on his staff, Larry Lindsey for example. So there were some specifics they got actively involved in. Sometimes we worked closely with them. But no, I would say he was more the—

**Riley:** The non-economic stuff.

**Boskin:** He did a lot on the domestic side, but on the economic side he tended to work the issue into options for the President and so on.

**Riley:** He was very much involved in clean air. Were you involved in clean air?

**Boskin:** Yes, for example the emissions trading system.

**Riley:** Can you tell us a little bit about how that emerged?

**Boskin:** We had the anniversary of Earth Day. Anniversaries are big deals in Washington because they are big accumulations of pressures, media events, and the President made some statements in the campaign about wanting to improve the environment—rightly so—and the environmental groups were pressing for some very strict reductions in various types of pollution. There was about to be released a study showing that so-called acid rain was not nearly the problem everyone was thinking it was, it was greatly exaggerated, and so on and so forth. At one point in the previous administration David Stockman had said the solution would cost \$50,000 a fish, so we were trying to get some serious benefit-cost analysis.

Then as it became clear that the President wanted to do something that was nontrivial in this area, and we would, we were trying to find ways to reduce the costs. So obviously emissions trading is an idea that has been around for some time in economics. To have more flexible regulation you set a standard and then allow people to comply with it in the least costly way possible by trading their rights.

I'd make this case first inside the administration, then on Capitol Hill, and people would say, "How do you know there will be a market? How do you know this will work?" You quote them the history of Phoenician trade fairs and how all this developed and so on and so forth, and they'd look at you and say you're kind of like Kevin Costner in that movie [Field of Dreams], "If you build it, they will come." And environmental people tend to be very suspicious, they wanted to control every single gram of coal. If they knew where it was they could make sure whether it was going into the environment or not. I suspect that there's probably some case to be made that there's some cheating on all this sort of stuff, but in general we developed this notion.

One of the ways we got some leverage on the Congress was that we sent a note up threatening a veto. We said we would veto any Clean Air Act amendment or bill whose cost was more than such and such, and the CEA would estimate the cost. So there was some pressure on them to put in programs that would reduce the cost.

I used that and made a written side agreement with the Environmental Protection Agency administrator about how specific things were going to be interpreted. Because a very big problem in Washington—not widely appreciated in the public, utilized by people who want more government and ignored by the media, who generally are pro-government expansion, is that you don't pass laws as they're going to be used in the Congress.

Congress passes a bill and then it goes through a long, laborious regulatory/rulemaking process, usually ending in the courts, defining the limits of these things. Who is a disabled person, entitled for what purposes under the ADA [Americans with Disabilities Act of 1990]? What's a new source? If you replace a screw do you now have to upgrade your entire factory to current standards, etc. Same on the tax laws.

The courts are supposed to look to legislative intent, but basically interest groups push their points of view, their lawsuits or adjudications in court or otherwise. As the stuff is actually utilized in the real world, it can wind up being vastly more costly than originally intended by the

Congress, particularly given that judges often ignore legislative intent or say it wasn't clear and therefore I want to push my social agenda. That's a large part of the philosophical divide between Republicans and Democrats on judges. When Bush says he wants somebody who will interpret the laws, not make them up on the bench, that's part of what he's talking about. It's part of what his dad talked about, part of what Reagan talked about.

The business community thought the Environmental Protection Agency was just horrible. They constantly would interpret the laws in ways that were not intended, and would just harass. Maybe that's an exaggeration, but that's what they [business community] would say. So I wanted to make sure that in about a dozen of the big areas of interpretation we had an agreement on how they would do before any of this.

So I reached an agreement with the administrator of the Environmental Protection Agency. I got the agreement, I told the President, "It's in my safe. If there's an argument, we have it in writing." "So you're going to tell me that you're going to make the EPA comply with the written thing the administrator gave me about how they're going to interpret it? Fine." So we then announced that we complied, that we get enough of a reduction in the cost from the emission-trading program.

There was a big controversy about that. Some state regulatory agencies at the start tried to say, "Well, the savings have to be passed on to the rate payers, not to the utilities, immediately." But any increase in cost doesn't, it is not symmetric. We were about to announce the program and before we formally announced the program, a futures market had been established. Not just a spot market in the permits, but a futures market. It was announced that they were going to set up a futures market in the press. So it's been very successful as near as we can tell.

It's kind of fulfilling. That alone would've probably made my time at the CEA worthwhile. That wasn't something I had worked on a lot in my professional life, but I had been around. As I said, economics tends to be compartmentalized into a variety of sub fields, as I'm sure your fields are. You're a political scientist?

**Weatherford:** Both of us.

**Boskin:** So you have your sub fields in political science and are aware of how there are sort of sub tribes and so on, that do this or that type of analysis. So in any event it was kind of exciting to see this come into play. I thought this was going to be costly, but at least we kept the cost down substantially.

**Weatherford:** Was there dissent within the economic group at the White House about emissions trading or other parts of the Clean Air Act?

**Boskin:** I think there was dissent about how tough to be about this, about whether to send this potential threat up to the Congress, about how tough to be with the EPA, etc. When we first announced this, the President is on a plane flying to Europe with Sununu. I'm supposed to get this follow-up done. We thought we made these decisions because, in part, of the formal process in our policy council. Now I'm hearing all this rumbling, so I get all these people in my office.



The EPA has written this stuff and it doesn't correspond to what we've decided. They want to send this bill up to Congress. I can't let them; it hasn't corresponded to the actual decision. "Well why?" "Well that's the way we wrote the Clean Water Act." I said, "That was the previous administration or two administrations ago, and we didn't agree that this would be written to be the same way you did the Clean Water Act. No one told you to do that, you've been told these are the decisions."

So I have to get Sununu on the phone on the plane. He calls [William] Reilly and we started a process that was never-ending. At the end, they were still faxing stuff to their allies on the Hill trying to weaken what we were trying to do. I don't think it was so much Reilly as I think people lower down in the agency. And it's not just the EPA; this is a common practice that people work with their friends on the Hill.

Agencies and committees that have jurisdiction work together. They don't like the outcome, so they kind of go around you. You had to read what was actually printed; it was down to that. And then you start the process of what the legal system will do with it. So, it was that level of detail you had to mess with. As the saying goes, "The devil is in the details." And these details can add \$10, 20 billion to the cost of something. You could spend years trying to reduce the explicit spending in some set of government programs by \$10 billion. You could add \$10 billion through government regulation.

**Riley:** You're involvement in this process at the outset was because the President asked you to be involved in this? Or was—

**Boskin:** It was an interagency group. A benefit-cost analysis had to be done, there was, "What would be the pros and cons of this?" There was a policy-coordinating agency, a group that included all the relevant agencies, including CEA.

I hear in the history of some administrations they've been less involved. I tried to not be turf-conscious, but get CEA involved in a wide range of things. So I got John Taylor, for example, involved in a lot of trade stuff. He was the macro guy at the Council, an expert on monetary policy. He's back in as Under Secretary, by the way, for International Affairs under George W. He did a great job on GATT [General Agreement on Tariffs and Trade] and NAFTA [North American Free Trade Agreement] and trade disputes with Japan (SII). Tomorrow we can talk about NAFTA if you want. I was involved in the early discussions of that—the generation of the idea and the early ruling of the agencies that were against it.

**Weatherford:** Could I track back for a minute? This idea of going to EPA—

**Boskin:** By getting involved in it, there was kind of a more formal process. We started doing benefit-cost analysis, looking at what had been done. We're going to get serious science into this, and there was this ten million tons.

"How did you arrive at ten million tons?" we asked. "That's what these environmental groups are demanding." "How did they come up with ten million tons?" "It's a number, a round

number.” “What if the marginal cost is very steep going from seven to ten? What if it’s trivial in going from ten to twenty? Anybody thought about that?”

So we tried to do that sort of stuff, and then I got involved. But Roger Porter was quite actively involved in the continuing negotiations with [Max] Baucus *et al.* on the Hill. I’d go up for a half hour every night and check on what was going on and make a couple of statements and take questions, explain some things and so on and leave, but he was there in real time, continuing to do it. And, by the way, did a great job.

**Weatherford:** Was there a precedent for your going to the EPA and working out what the regs were going to look like? Had other CEA chairs done that?

**Boskin:** I’m unaware of whether that has ever happened before. I don’t know. I was just trying to figure out, well, if the President really wants to do this, how can we keep the cost down? So those are among the ways we did it.

And Bill Reilly, who was a strong environmentalist, some people thought he got the President too far out on the environment and got him in trouble with his conservative base, and others, including Reilly, thought that Sununu wouldn’t let him get far out enough and caused him problems. I don’t know where the politics of all that shakes down. I myself am sort of a soft-core environmental—I care about the environment, but I think it ought to be done in a cost-effective way. I think we have a lot of scare stuff that goes on about the environment that’s ridiculous to try to get people heated up about and so on. But I think we care about healthier clean air, clean water. We’ve done a lot, by the way, to clean it up, which isn’t talked about enough. But in this instance, I don’t know what else had been done.

I was perceived as having been fairly close to Bush, though certainly not like Brady or Mosbacher. And because I was perceived to have an idea where he was in economic events, I think I was able, not consciously, but I was able to operate, particularly the first year or two, then again the last year as he got in trouble and we worked up a deregulation issue. I was able to push things beyond the bounds of what a CEA Chairman would normally do.

**Riley:** But that was especially in the regulatory realm where I guess the crosscutting pressures within the administration wouldn’t have been as great as on things like taxes or deficits.

**Boskin:** They were pretty substantial. But they were not—how best to put it—the level of interest in and attention to an issue was sort of level 1B, rather than level 1A.

**Riley:** And it’s coming from a different source, right? Most of the pressure was coming from the departments? From the standing bureaucracy?

**Boskin:** From the departments, from the standing bureaucracy, from the business community, from the media, from lots of places, depending on the issue.

**Riley:** You’ve written fairly critically of the Clean Air Act in something we’ve got here. I’m wondering about your sense about the origins of the things you’re critical of in your writings.

**Boskin:** Yes, I have a mixed opinion of the Clean Air Act. I think it's helping the environment. I think it's costly. I think it's a lot less costly than it would've been had not we and others worked hard to reduce... with some partial cooperation from the EPA. I think it got much worse in the subsequent administration, which didn't much care about cost as far as I could tell. I think that Clinton surrounded himself with a lot of public interest advocacy types.

I'm a big believer in symmetry in life. If you're going to complain about having a business person in a job in government that has something to do with managing regulation, we ought to be equally concerned about someone from the Sierra Club—to be simplistic about it—who'd very much less likely be concerned about the costs on business. There are people at EPA I dealt with who viewed any gram of improvement in the environment as worth anything, no matter the cost. And there were some rules written into the environmental laws. Look, I think we ought to have environmental regulation; I think we ought to be working to improve the environment. I think that part of the reason the environment is much cleaner is because of the regulation, but it's very costly. So we ought to continue to work on ways to make it more flexible and achieve our goals at the least cost on the economy and ultimately on consumers and households in the economy.

But in various agencies there are people who viewed the domain of their agency as the only thing that mattered. Costs that were outside their agency were considered “foreign aid.” They didn't care about it—somebody else's problem. “If I can get one gram of improvement or one dollar of improvement here, regardless of what it cost anybody else, it doesn't matter to me.” By the way, that same criticism is often levied against Congress. “It's not my committee.” We partly specialize in order to get things done because that's how interests tend to be represented. So that's certainly an issue.

I've always been interested in the environment. That's part of why I live in California, part of why I came back to California, but I'm very interested in how these things wind up affecting businesses and consumers and the economy in the real world and workers eventually in the real world. I think it's very easy, and it's a particularly unfortunate problem in Washington, to label something with an attractive label and then nobody, only a few people have the time and energy and the attention span to look at what you are actually doing. A lot of stuff is sold as helpful to X or helpful to Y that's minimally helpful to X or Y and very costly other places. We're not well set up as a government to calculate those.

We really need a much better regulatory budget, much more serious science in our regulation. We need serious risk-benefit analysis, which is very hard to impose from the outside. And the Congress tends to respond to scares and horror stories. As somebody once put it, “If there's one statistical mouse a century that's injured by this, then you ban it,” etc. So, I'd like to see us get the scientists from the Public Health Service and places like that to have a much more prominent role than the professional bureaucrats who view themselves as “ists” —any noun in front of that, add an “ists,” and that's what they are—they're an activist for this, etc.

I'd much rather have the professionals have a larger role and those people play a smaller role, but it's very hard to do. They're very good at being in jobs in government, being in jobs out of

government and working with the media, which tends to be also specialized in this way. So you get lots of stuff. I think the current flap about Kyoto is a very good example of that.

**Riley:** We talked a lot about the EPA in relation to this, which other departments did—

**Boskin:** I don't mean to single them out. The Clean Air Act was a very big deal, as was the Americans with Disabilities Act. It started out, they wanted to have a bill where virtually every entrance to everything would be retrofitted. I was accused of being kind of soft by some of my friends, but I think that a rich society can afford to help people who are disadvantaged, including disabled people. Creating some access for them at important public places, but not every door of every single building. But they were demanding things where every bus would be wheelchair accessible. It would be cheaper just to send them private transportation, and so on.

We tried to get the cost of this down. President Bush felt very strongly about this. He was prepared to go quite some way. There were other people—Senator Dole felt very strongly about this. So we tried to find ways to get some of the most costly, most nonsensical stuff out of there, and so Dick Schmalensee did an analysis of this that I think made some sense. I got John into international trade kinds of stuff; I got Dick actively involved on the environmental side. He did a great job on emissions trading and sulfur dioxide trading. So in that sense, some people may have viewed me as turf-conscious. I was just trying to get good economics into a lot of decisions. It wasn't personal turf.

**Riley:** No, it was professional turf.

**Boskin:** I'd get John and Dick into lots of stuff and then we'd just meet back at the end of the day and compare notes, figure out ways we could help each other do what we're trying to do.

**Weatherford:** Was the decision about retaliating against Japan the same kind of issue? You felt that the economics was on one side and the interest groups were on another?

**Boskin:** Oh sure.

**Weatherford:** Mosbacher and Commerce were taking their own position?

**Boskin:** Well, there was constant pressure on the Japanese. I remember it was a big issue in the '88 campaign. There was a lot of fear of Japan overtaking the U.S., Japanese investment here. You know, "They're going to take Rockefeller Center back to Tokyo brick by brick!" A lot of really ridiculous nonsense. Not, by the way, just by Americans. I'd go to Japan and they'd ask me what year Japanese GDP would be higher than American GDP, and I said I didn't concern myself with it because if it ever happens it's going to be a century or more from now. They'd look at me like I was crazy because they were drawing these lines, extrapolating current growth rates.

Anyway, I warned them they were going to have a recession and they thought I was nuts, that I was inhaling something I wasn't supposed to. So there was a lot of nonsense about this, but there was a lot of pressure and the Japanese have a lot of non-tariff barriers. It's not widely appreciated

what the facts are in Japan, which is: the heavily protected industries weren't the so-called new industries, but they were things like textiles and agriculture and steel, and other industries such as financial services with large employment with a traditional base creating a substantial domestic political constituency.

But they had a lot of non-tariff barriers. They did a lot of things they shouldn't. And we did some things we shouldn't either, so we'd have serious discussions of this and we'd have these negotiations, and John got involved in it. I think he figured out ways to broaden the dialogue, take a little bit of the pressure off the pressure cooker.

It started off, Carla got pressured in either her confirmation hearing or her first time up on the Hill and she said, "If this doesn't work, we'll just have to manage trade." I don't know if it was an inadvertent slip or not. But we had a conversation about it and she said, "Well, should I go out and clarify?" And I said, "No, I don't want to make you look weak. Just realize that inadvertently you've sent a signal that we're changing 50 years of American political leadership in expanding open world trade."

She's terrific, by the way. She's a lawyer. She didn't study the macroeconomics of the trade deficit, and she asked me to go over some stuff with her. A couple of her staff economists had been trying to educate her. She's the best student I ever had—student is an exaggeration—but we had a couple of meetings and she picked it up very quickly. I think she did a very good job. It's a very tough job. She's got to be tough. The only way you can sell trade deals domestically, politically, is to say we're getting concessions for our concessions. Swapping concessions is the way it's done.

She had a tough deal, especially in the beginning. It was more of a domestic political issue with Japan than anybody else. The Europeans also had genuine trade barriers, but the domestic politics wasn't as nasty—even though the Dutch had at one point—I think the British and Dutch had, I think, as much foreign investment in the U.S. as the Japanese. There were historical and maybe even some ugly subliminal racial reasons for some Americans to be fearful of the Japanese. I don't know. I certainly wasn't personally or professionally deeply concerned about the most severe fears and scenarios that some people had and so on. I thought those were misplaced. It was the political environment you were working in.

As a matter of fact, in the very beginning of the administration, a letter was delivered to me from the White House. It was a copy of a letter sent to the Chief of Staff, sent to the President, asking for an investigation of my dual allegiances to Japan and the United States. I go, "What the hell is going on here?" It turned out that I was a member, among three or four hundred economists around the world, of some research institute in Japan. I'll tell you what member means in a second. That was partially funded by the Japanese Finance Ministry, apparently. So my name is on the list. Well I joined it so I could get the Japanese budget in English translation. I never received a dime from them, never a dime.

Larry Summers and a lot of other guys who were advising Dukakis had actually gotten cash from these people. Not unreasonable, I mean, travel expenses or hotel expenses, or some money for writing something. My sole interaction was I filled out a form and got the Japanese budget in

English translation. But even though I resigned from everything except the American Economic Association and the United States Tennis Association when I joined the government, I guess you only revise your list or your brochure once a year, so my name was still on the list.

So [Richard] Gephardt and seven other people, maybe six or seven people signed this letter. So it comes over. I say, “What’s going on? They’re accusing me of dual allegiance. This is outrageous.” So I go bursting into Sununu’s office and I start talking about this. “Get Boyden [Gray] down here. What the hell is going on?” He said, “How many people signed it?” I said, “Seven.” He said, “Can’t be anything to it if only seven people signed it.”

I think I was a fairly quick study, but I’d never been in the government before. It was the same kind of thing I was mentioning about when I was prepping Reagan and he said the three parts of the answer in reverse order. I was pretty naïve about it. Basically they wanted to weaken my ability in the trade debate. It’s part of the cut and thrust of politics, the give and take, the toughness of it all.

**Riley:** In general, how were your relations on the Hill? Did you make some good friends over there? Some highly reliable contacts?

**Boskin:** I think I had good relations. I tried to help when I could, but I wasn’t the Chief of Staff or the political adviser to the President, or the legislative affairs guy. I testified a fair amount before the relevant economic committees, the Joint Economic Committee, the Appropriations Committees, the Ways and Means Committee, the Finance Committee, the Banking Committees, etc. I got to know some people I’d known before, got to know others. Sometimes you make unusual alliances that you might not have suspected in advance.

**Riley:** Any of those in particular stick in your head? Any with Democrats in particular?

**Boskin:** Sure, sure. There were times with Democrats because Democrats were running things. I never sacrificed my principles, but, for example, there was a strike or lockout, depending on your point of view, in the railroads and the economy was very weak and I thought, *My God, given we’d just moved to just-in-time inventories, this could be a real serious problem.* So we did an estimate of how many people might be unemployed.

John Dingell, powerful Chairman of the Commerce Committee at the time and of the Investigations Committee, used to send what were called “Dinglegrams” demanding information from everybody. About once a week we’d get one demanding everything we’d ever thought, let alone written, on various things. But quite aside from that, even though we had different points of view on a lot of issues, we developed a relationship between us. We worked together on—he had a big interest because General Motors was his constituent and he didn’t want their cars not to be shipped.

So we worked together and I testified and we made a big deal, it got on the evening news, about how we could put more people out of work in one week than had ever before lost their jobs in the history of America in such a short time or something like that. So there were times you did stuff like that.

The Senate Finance Committee for example, when I first went there, had a large core group of people who were moderates and conservatives, the Jack Danforths of the world. Bill Roth was probably a little bit more conservative than that. The Democrats who were on it tended to be not from the left wing of the party but from the centrist wing of the party. Bill Bradley eventually wound up being more left, but he was big on tax reform, for example lower tax rates. As was Bob Packwood. Jack Heinz, a terrific guy, was more a centrist Republican than a conservative Republican. Pat Moynihan and Bob Kerrey were thoughtful in social security. So you got to know the people you interacted with a lot from your testimony and so on and so forth.

I strove to be thought of as somebody who was trying to do a professional job, not trying to BS them. There were many times that they knew I had to toe the President's line and I'd be creative in how I'd phrase things and they would josh me about it and I would josh them about things. But mostly it was just very respectful.

I do remember one exchange I had with Al Gore that was quite interesting. I wasn't aware he was a member of the Joint Economic Committee until he showed up one year in the middle of a meeting and the Chairman gave him the floor. The cameras went on just as he showed up, which I'm told was his *modus operandi*. He launched into some long discussion about the water under the Ogallala aquifer and blah, blah, blah. The light turned from green to yellow to red and he kept going and going and finally I'm looking at the Republicans and they're pushing the Chairman and the Chairman finally says, "Do you want to come to a conclusion there, Senator?" So finally, about twice the length of time he should have, he finishes. I just sit there and stare at him. He hasn't asked me a question. The chairman says, "Did you have a question, Senator?" And he gets befuddled because he's obviously done this for the cameras. He needed a venue to make this speech this day. I don't begrudge him that, but it was kind of silly. He wasted everybody's time. So he says, "So what do you think of that, Chairman Boskin?" I just looked at him and said, "Not much." They struck it from the record.

Occasionally I did something like that; mostly I was enormously respectful, and I should be. They're the ones who are elected. Whatever you think of them. You might not like them; you might think they're full of beans. You might think what they're doing is bad for your view of the world or your constituents or for the country from your point of view. They're the ones who face the voters. In my view they have some rights in that regard.

I try to be professional. I think, I hope, I was viewed professionally. I certainly was told afterwards that I was viewed that way. But I would sometimes go up and meet with the Republican Congressman or Senator. Sometimes I'd meet with a committee. I had relationships with many people before I entered government, when for example I helped with various retreats of committees, for example—the Ways and Means Committee was getting ready for tax reform. I had some relationships with many of the people, the Chairman and ranking member and others, from before. So I wasn't totally *de novo*, but that was more as an outside economist, totally, I wasn't having to represent the administration at the time.

**Riley:** Exactly. Were you coordinating these visits with the Legislative Affairs Office? Were you reporting back to them when you came in, Nick Calio—

**Boskin:** Occasionally. That was not my primary duty. It came from specific requests of committees or agencies I had specific responsibilities with. But sometimes I would go up for that particular purpose. I would go up to talk to people about a specific thing. Sometimes there was a particular Congressman or Senator they thought I would be helpful in wooing, and I would do that. Whether that was on a regulation bill or minimum wage, having a separate training wage for teenagers, or whatever it happened to be. There were a large number of these things where I—

**Riley:** So occasionally Legislative Affairs would call on you and say, “We need—”

**Boskin:** Fred McClure, whoever, but it wasn’t like my only visits to the Hill were coordinated with them. But, if there was something going on and someone called, Arlen Specter called and asked me to come to a meeting, I would try to find out what we knew about it before I’d go. Something like that.

**Riley:** I suspect tomorrow we’re going to want to come back to this with respect to specific issues.

**Boskin:** The CEA Chairman does not traditionally play a large role on the Hill.

**Riley:** Because it’s viewed as a political activity and you’re supposed to keep your skirts clean?

**Boskin:** No, it varies. Sometimes you testify. I think you regularly testify at the Joint Economic Committee by tradition, testify in the Appropriations Committees and the Ways and Means and Finance Committees and so on, the relevant committees. But generally you’re viewed more as an explainer of economic ideas than purely a salesman, someone who the President has empowered to trade this and that for your vote—that’s generally done by the Chief of Staff or somebody like that. I think that historically, different roles have been played. I probably played somewhat more than normal, but I didn’t play the role of Assistant to the President. I played the role of the CEA Chairman.

**Riley:** In that regard, were there any instances where people approached you to go on the Hill for something that you turned down and you said it is a bad precedent for the institution, or that’s not—

**Boskin:** There were a couple of times I declined to testify because there were issues that for various reasons the administration didn’t want to talk about at the time. Something was about to happen and they didn’t want to be put in an awkward situation testifying when we’re going to decide something the following week. So lots of situations of that sort occur, and you postpone or you demur.

You can testify all the time. So you can only do a certain amount of this and you want to be accommodating up to the point where it is sensible. But somebody has to write the testimony, you have to edit it, you have to approve it, you’ve got to get it up there. It’s a big occupier of very limited resources and there’s not exactly a legislative affairs, public affairs, and



communications side of the CEA. It has one special assistant and a secretary. So other agencies have entire staffs devoted to dealing with these issues.

**Riley:** Yes, but no instances where you felt like you were being asked to, for lack of a better word, politicize? That's not really a good word, but to lobby on something not consistent with your—

**Boskin:** No, I would say it was more likely that the timing was inappropriate or that some Congressman or Senator would call to ask me to help promote their pet idea that was somewhat related to our pet ideas but not identical. You try to help your friends as much as you could, but there's a limited capacity.

**Weatherford:** Did you have an image in your mind of what CEA Chairs ought to do, how much they ought to testify? Was it sort of Walter Heller, Marty Feldstein, Beryl Sprinkel?

**Boskin:** No, I mean I had precedents. I think all my predecessors were talented people who had their strengths and weaknesses. To the extent I could observe them or the extent they would talk to me about them or other people have, I always had the view that it's impossible from the outside to tell what it's really like on the inside. For example, it was widely viewed that Gardner Ackley had warned [Lyndon] Johnson about the risks of financing the War on Poverty and the Vietnam War simultaneously, or we'd get inflation. Allegedly he wrote an internal memo that was never made public, and so he got a lot of heat for helping generate the inflation in the late '60s. So I don't know that you can always tell what was actually being done.

Certainly many other parts of the government, from the White House to Capitol Hill to other agencies, and the people running them, have their own spin machines, people who talk to the press, assistants, public affairs, public relations, legislative affairs people that talk to the press, etc. They sometimes will try to pin the tail on you for something that they're getting the heat for, often undeservedly, perhaps not always. For example, we have a soft economy. We have a recession. Bush is getting a lot of heat for it. All of a sudden I start hearing that some of the President's staff have lost confidence in me as the President's Chief Economic Adviser and that they're starting to blame me for the President being in the trouble he's in.

I have my own theory as to where this initiated, but I'm not going to say it to you.

**Riley:** That's too bad.

**Boskin:** But this is really quite something, you know. I told him in the summer of 1990 we were heading into a recession. We actually, it turns out on revising the data six months later, had already entered one. I was the first person to say we were in a recession. I announced that before there were data confirming it. I said it was going to be a slow recovery. I said the recession had ended but the recovery was going to be very slow for the rest of '91. There were people who wanted him to talk up the economy. I said I thought that was dangerous. To be other than realistic I think is a very, very foolish thing to get into. The President should be optimistic about our economic system and our economic future, but realistic about where the economy is now. Anything else makes him look foolish.

Anyway, all that being said, I started hearing this, and I went to a couple of people and let it be known that there's a public record of this. The economy's doing exactly what we said; I have a record of all of this. The President has been told for years that economic forecasting is imprecise. In this case, however, it had been unusually accurate.

Obviously we'd much prefer a strong economy and being inaccurate to a weak economy and being accurate, for lots of reasons, including on the President's behalf. However the facts of the matter are, if people are going around saying that the President thinks we mislead him, which I started to hear, briefly, sub rosa—I started hearing this from press contacts and others—if you're going around saying that, then how are you going to explain the economy is doing exactly what he was told and there is a public record of it? How is that going to make the President look? You're not doing him any favors, okay? So it shut up after that. But you know, it's an ugly business in that regard.

It's human nature. It happens in other organizations besides the federal government. It happened recently in Lucent Technologies as it headed south.

**Riley:** Did you make a conscious study of what your predecessors had done before you came in office?

**Boskin:** Yes, but not systematic. I don't want to exaggerate what it was. I solicited advice. I also very routinely called my predecessors and asked them for advice. The living Republican ones I tried to get involved in some way. I'd get them invited to a meeting in the White House and a couple of them I got invited to a meeting at Camp David, for various reasons.

Number one, I thought it was good for the President to hear other points of view. Number two, I have a lot of confidence in my own abilities, don't get me wrong—but I thought it would be the height of arrogance to assume that I was the repository of all knowledge. Number three, these people are going to be asked about the administration, about you, and the extent they feel they have some insight and knowledge, they're going to do a better job. They're going to be who they are; they're not going to change. They're not going to say something they don't believe, but they're going to do a better job of being able to explain what you're doing or explain their approval or disapproval of what you're doing if they have a better idea about it.

Maybe I could have done more of that. As I understand it, there are many cases in which very little of that has been done by people in various jobs in the government. I also sought advice from other people who had been in economic positions in the government. George Shultz is a friend. He works down the hall from me here. I solicit his advice on occasion. He was Treasury Secretary. Obviously as Secretary of State he dealt with international economic affairs. He was also Budget Director many years ago, and Labor Secretary. So I thought that was a good thing to get. It would help me, it would help the President, and so on.

I had asked people what advice they'd give me, what they thought they would write, what they would do. You know, the typical questions you'd ask somebody. And I got some insights into

that. There were people I admired for standing up to a lot of political pressure to do the wrong thing in their party.

Charlie Schultze, with whom I disagree on some policy issues, I think did a tremendous job trying to stand up to the pressure for industrial policy in his party in the 1970s and 1980s. Obviously there is a lot of political pressure on him in various ways, but I think he did a good job in that regard. I'd be shocked if any of the people we've talked about, any of the other CEA Chairmen looked at me and approved of everything I did. I hope they think that I tried to be professional, that on balance I did a good job, but, as I said, I hope they think I'm over Shaq's free-throw percentage, but how much over I'll leave to history.

**Weatherford:** His free-throw percentage is going up.

**Boskin:** It's about 50 percent. I may not have gotten that high a percentage of my position to win, but hopefully the advice I gave was good advice the vast majority of the time. I think it was. Sometimes it helped carry the day, sometimes not.

**Weatherford:** You mentioned you talked to academic economists and former government economists. Did you talk to business economists, economists for big banks, etc.?

**Boskin:** Sure, I talked to business economists at banks, at Ford Motor Company, Wall Street economists, sure.

**Weatherford:** Did you have a sense that other chairs had done that? Or did you just do it because you had contacts with these people—

**Boskin:** I initiated some; I thought it was a useful perspective for me to have. Knowing some of the personalities I suspect some of the others did less of it than I did, but I don't know for a fact.

**Riley:** I think in the interest of time, I'm going to have to call it quits. You said that you'd like to talk about NAFTA and then we want to spend a fair amount of time—.

**Boskin:** I want to give you my, "How you do economic reform in the collapsing Soviet Union."

**Riley:** We want to get that story.

**Boskin:** It maybe isn't the most relevant thing here, but it will be interesting and kind of funny, to put being a professional economist in perspective.

**Riley:** And the budget agreement in '91, '92. The '91 budget and your efforts to get a stimulus package, deal with those a little more systematically tomorrow.

**Boskin:** The '90 agreement, the '92 budget and '91. The fiscal year starts in October and you're off by a year. The fiscal year is going to be very misleading.

## July 31 session

**Weatherford:** We left off, we had talked about the Clean Air Act a little and just a bit about Roger Porter's involvement. Could you talk a little about the relationship between the CEA and Roger Porter's shop?

**Boskin:** It was friendly, professional.

**Weatherford:** Was there some duplication between the two of them?

**Boskin:** I think very little. He had one or two economists in there, Larry Lindsey for example. But I don't think there was particular duplication. And where there was it was desirable, probably.

**Weatherford:** Did you talk to each other regularly? Were there meetings? Mostly informal?

**Boskin:** Yes, mostly informal, we didn't see any need to label a meeting as something or other. We would have lunch. We would get together before or after meetings, we would talk on the phone, which was frequent. I think it was a good relationship; I hope he does.

**Riley:** Did that extend to Jim Pinkerton also? Did you have much relationship with Jim?

**Boskin:** One thing that I would do differently, even though it really isn't the CEA Chairman who ought to be doing this—I thought we didn't do as good a job as we might have in galvanizing the younger thinkers in the different parts of the government.

At one point there was an attempt to do that. It's alleged that Darman disrupted it. I don't know, it became kind of a battle between Pinkerton and Darman at one stage or something. I remember hearing about it, but I was busy doing a lot of other things, and the CEA Chairman isn't the natural person to be doing that because a lot of what was being discussed was thematic social policy and things of this sort, not just economics. But I think that you need to have a lot of ideas flowing through the system, being improved, rejected, tested, amended, accepted.

The CEA Chairman is in a kind of awkward position in many ways because institutionally it is a very weak position. It has, as I said earlier, no responsibility for anything other than writing an economic report. The Treasury does have responsibility over the exchange stabilization fund, some bank regulation, customs. It has specific things that by statute it does and administers, and by and large I think there are good professionals in the Treasury. But all the CEA does is write the economic report and provide someone who's there, for a year usually, an academic who knows something, or at least the academic side of what good economics is in the area, and pushes that into the caldron and stirs it up, which I think is very helpful. But it's institutionally not a strong position from which to do very much.

That's been the case with very rare exceptions. There have been CEA Chairmen that have been quite influential. I'm told by people who have studied this that I had above-average influence in this regard. I don't know. But I'm just saying there are two or three that come to mind. It's generally become more of an inside than outside position, but with the change in the budget act and the change in the responsibilities for budgeting and the proliferation of economists throughout the government, the treasury now has 30 economists and the OMB has economists and all the other agencies, the Congressional Budget Office. There's a spread of economics, which is a good thing. Again, I said earlier, I don't believe in monopoly. I just want good economics inputted into this as a major but hardly exclusive criterion to be used in making policy decisions.

So I think that you can go back one or two times and you can find Arthur Burns had to restore the Council's credibility. It was in tatters before he was there. There was an argument; it was politicized. He was somewhat influential, although he would sit there with his pipe and lecture people as he did. Also later, when he became Fed Chairman. Alan Greenspan was close to Ford. Outside of the Ford orbit you don't hear much about him but he was, I think, quite influential. Walter Heller obviously had a strong influence on [John F.] Kennedy.

In the more modern era, there has been more of a mix of people with the information, the ideas, and the economics getting in there. We tried to do everything we could. I think we had an outstanding council of people who were very highly professional, worked very hard, did a very good job and I think helped a lot in many decisions. However, it's just kind of an awkward perch to say, "Well here, I'm the CEA Chairman. I'm going to host meetings where we're going to talk about everything affecting our society and our policy and so on and let's have a confab and a think thing."

In retrospect, I probably would have tried to figure out ways to organize several people hosting it to get more of that going on. I think there wasn't enough stirring of the ideas. Some of them percolated up, but the Pinkertons and the Lindseys and the people like that I think deserved a faster route to the people that were making decisions or influencing decisions.

**Riley:** So you are suggesting that the CEA is in a difficult position to be entrepreneurial with respect to policy development. It is more analytical—

**Boskin:** No, policy about economics. But if you invite people to talk about social policy, what's the standing of the CEA to be hosting a meeting on social policy, or the politics of social policy? I'm happy to take an expansive view of economics. So if we're talking about welfare, fine. But generally at what age should people drive, what penalties? Do you take away their driver's license for this or that thing? At some point you shade into areas that are very clearly outside your domain of expertise, even to have people on your own staff who know much about it. I follow some of that stuff, so I'm broader than some economists, so on the economic front, fine.

We came up with a lot of ideas. We inputted some. Some were accepted, some weren't. Some were quite useful, some weren't. Just more broadly throughout the administration I thought that there could have been more of a systematic attempt to have regular meetings of people trying to do some thinking.

**Riley:** The constraints operating on you then were more bureaucratic rather than an absence of a license from the President to go out and do those things.

**Boskin:** I probably could have done it, but it's mostly just that. Bureaucratic makes it sound like there's an obstacle. The obstacle was, what do I know about social policy? There's some tangential part of social policy that shades into having economic effects, so that tail I can deal with and that tail I can know something about. I probably have one person on my staff, a labor economist or somebody, who knows something about it. But you're getting into a variety of things that are the domain of many other agencies. And I had no problem with doing that. I'm saying the topic matter that Pinkerton and these other guys were thinking about at best thinly overlapped even a very broad definition of economics. In my mind, that was the issue. Not that I couldn't do whatever I wanted.

**Riley:** But even Pinkerton was not, within the administration, viewed as a major player in the development of policy.

**Boskin:** I thought he was an interesting guy with interesting ideas. If we had gotten a better process internally I probably would have spent more time thinking more broadly, trying to contribute in those areas in some way. If you're the Assistant to the President for Social Policy Development or for all things political and he's talking about realignments of the policy in various ways, and so on—I'm not saying that I couldn't contribute as an intelligent person who was interested. I'm saying the CEA institutionally has economics as its portfolio.

**Riley:** I guess the question of people who will look at this from the outside is whether there were criticisms, especially later, about the absence of high-profile domestic policy. Even Sununu was on record at one point as having made a claim, fairly late in the administration, that there didn't need to be that much more in the way of domestic initiatives, which fairly or not, played into this kind of public perception that this was a President who was interested more in international relations than domestic policy.

So I guess the question I was posing was whether, to the extent that there was not a vigorous publicized development of policy within the administration, was it more a reflection of the President's priorities for whatever reason? Or was it a reflection of a kind of structure within the White House, which didn't easily reward a kind of policy entrepreneurial environment?

**Boskin:** I don't see those things as mutually exclusive. There wasn't enough of a structure to generate enough of it probably. But that partly reflected—I'm not sure whether it was the President telling Sununu to do this, but it was John's view of what we needed in policy development. He thought we should run on crime, quotas, and Kuwait. I was telling the President that they threw [Winston] Churchill out after World War II, and the Gulf War wasn't World War II. That was just common sense to me. I was reading history.

I tried to make these points forcefully to the President and other people, but maybe that was the problem, maybe I was in the wrong job. I was an economist. They thought I was an outstanding economist, at least most of them did. They wanted me to give economic advice and information

and analysis of what was going on in the economy and how that shaded into political issues, but I think it's hard for the CEA Chairman to play a role as a political adviser.

For a variety of reasons, including institutional ones, I don't think there's ever been a CEA chairman who was a close political adviser to the President. There were certainly some who have been close and helped formulate economic policy, but when the inner circle of the meetings sat down to talk about the campaign and how to run it, you generally don't think of the CEA Chairman as the first person you invite.

And that in my particular case perhaps was a mistake. I think I had something to offer, but I understood it and I tried to offer it in as many venues as I had available to me and as I could manufacture. But I didn't want to leave my job and go be the policy guy at the campaign or something like that. I didn't see that as something that made sense for me to do.

So there was an issue there, and there weren't a huge number of domestic initiatives. There were a fair number and some good ideas that had been rejected by the Congress that we kept re-proposing, and there was a lot of frustration about the ability to package and market them in a way that got the President credit for them. So you had some people, the Darmans of the world, blaming the packaging, and you have some of the people blaming the product. It wasn't sufficient, etc. And they wound up arguing with each other.

I'm always trying to improve everything I do, so let's just say everything could have been improved. My advice, the initiatives outside economics, and better domestic policy, the marketing, probably all could have been improved.

But again, as I said earlier, it was a tough environment because the economy had slowed, went into recession, unemployment rose for a while. And while nationally it was a brief and mild recession as these things go historically, any time unemployment is rising is a very difficult environment politically for the incumbent for many reasons, probably more so for a Republican than a Democrat. Because a Republican is much less likely to have a massive expansion of assistance program for disadvantaged people as the keynote of their dealing with the economy, whereas a Democrat probably does.

There was also the issue that the Republicans had been in power for 12 years and there was a natural dynamic of that sort that was working against Bush. The media were very, very harsh on him and there were numerous episodes where people seemed to be looking to write their story. There was the famous issue of the scanner. He knew what the scanner was; it wasn't an issue. He was joking with the guy and they took this picture and they said, "Bush is out of touch, he doesn't know what a scanner is." Front page of the *New York Times*.

It is the cruel mathematics you confront as a politician that almost everything you do in public is on tape or recorded, and the 99 percent you bat right is not recorded and never shows up, and the 1 percent you do wrong, and God forbid it is 2 percent, that's double the number of things they can throw on the air and try to ridicule you with.

So I think there were a variety of things. If I look back in retrospect, probably there could have been better development of policy and better marketing of policy. I'm not blaming anybody in particular about it, but there seemed to be a sense close to the top that we didn't want a bunch of initiatives. Whether that was Bush or Sununu is hard to disentangle. Sununu was supposed to be operating what the President was telling him, but you never know exactly what the transmission loss rate is as you go through the wires from the President through the Chief of Staff down to somebody else, etc. You know, John was supposed to take the hit for the President when things went wrong. It's part of the job. And he was able to do that.

There weren't a huge number of domestic initiatives, that criticism was partially valid. But there were a sizable number of good ones that had been developed, some good ideas that were difficult, and people weren't aware that Bush was trying to do these things, partly because the Democrats ran the Congress and if they didn't reject them out of hand, they didn't bring them up for votes, etc. It was hard.

The one thing you need as President to really effectuate anything, other than by executive order, which Clinton took to new highs or lows depending on your point of view, is that you have to have Congress willing and able to pass legislation. It helps a lot to have the majority. You set the agenda, you determine the timing of when things come up, and whether they come up. When you're in a situation like President Bush was, it's a tough situation. You have your opponents running things and it's hard to get stuff to the floor, hard to get votes on it, hard to get that sense of the megaphone and repeated attention. You propose it and it can spend six months or a year languishing on Capitol Hill, and the press says they're not going to cover it when you get out and talk about it again because you already proposed it. So there was that dilemma.

**Riley:** What you've described for us is the environment, partly as established when President Bush takes office, but also a kind of deterioration in the policy-making environment for him because the recession creates problems that you didn't have at the outset. In the context of the shift from Sununu to Skinner, was there much discussion within the White House or any that you are aware of retooling organizationally or trying to bring new people in?

**Boskin:** There was, as a matter of fact. It happened primarily when [Samuel] Skinner came in. Sam brought in some organization expert who interviewed everybody. He made a bunch of suggestions and then we had some change in the policy apparatus. Clayton Yeutter chaired something called the Policy Development Group, which I was on as well as a variety of other people. I think this was, at the time, an attempt to diffuse the perception and partial reality that Darman was making a lot of the policy. Darman had fallen out of grace after the budget agreement, especially with conservatives. To some extent Brady, but mostly Darman.

So we had this different kind of process, that's what we discussed, the Rio Treaty and stuff like that. Clayton Yeutter is a quality guy, but it was sort of adding a layer on top of how decisions are made anyway. Sam wound up being transitional to Baker, and Darman was close to Baker. Darman had all the information at OMB and kind of knew how to monopolize it. Bush was very dependent on him for that.



**Riley:** Did you recognize any internal changes inside the White House when Sununu left and Skinner came in? We've got a fair amount of testimony from people who felt like this was not a helpful change for the President.

**Boskin:** Well you know, there are a variety of people who believe that Sununu leaving, the death of Lee Atwater, etc., those two things really contributed greatly to losing the political bearing and antennae of the White House. That may well be true but again, let me just say, I was not the nerve center of the political antennae, so I might not be the best judge of that.

**Riley:** But you had a front-row seat.

**Boskin:** That's exactly right. I would say I had a front-row seat. I was occasionally a participant, I was mostly providing information that others were using, and sometimes I did not approve of how it was being used, but often I did. They are talented people. I thought they were a little out of step from my perspective of what was going on in the economy. So there's some truth to that. I think that Atwater and Sununu had a tough competitive edge to them on the political side. Sam Skinner is a very good guy. He's somewhat savvy about things, but he wasn't the real hardened politico that Lee Atwater was.

**Riley:** How quickly did the environment become hostile to Skinner? I mean, how quickly did it become apparent to you that there was going to have to be another change?

**Boskin:** Well I think that the attempts to make the change clearly occupied a lot of valuable time. The payoff was not as large as it could have been. There were people, Darman etc. who paid lip service to the Yeutter-led policy development, but it was very clear they were biding their time waiting for Baker to show up.

The economy stayed weak, the recovery was slow. We were in a recovery but it was slow as we leave March of '91. Unemployment continued to rise and the media were hammering, and the Democrats were hammering Bush on the economy and being out of touch, he didn't know what was happening to the common person, all of which I think were unfair criticisms. They were playing on a stereotype that was not accurate.

Bush would just as soon play horseshoes with the White House electrician as with the president of a major company or head of state from another part of the world or the horseshoe champ of the United States. He was very different. As a matter of fact, from what I hear about the Clinton White House it was the exact opposite. Clinton sold himself as a common person but the Clintons apparently were tough on the staff. The Bushes are nice people. They treat people nicely.

If there had been a different backdrop—I think there was also a lulling by the high poll numbers after the Gulf War. Again, when I told him, and they all knew that it wasn't going to stay at 90 percent but they thought, *Well, what we should do is wait, elect a lot more Republicans in '92, and then we can pass his agenda.* I was worried that he was going to lose voters because he wasn't engaging on the economy. I thought he should engage by telling the facts and what's likely to happen. He can be optimistic about the future but quite realistic about the present, and

there were a lot of silly things said by powerful advisers about how to portray the economy, in my opinion.

**Riley:** We've sort of circled around the budget agreement, and I'd like to come back and talk at some length about that. You had indicated yesterday that the budget agreement was fairly closely kept, that you had not been involved in the negotiations.

**Boskin:** Yes, I should be very clear about what I did. I obviously developed the flexible freeze. I thought Bush needed it politically but also substantively. I thought it was a right thing to do to have a response to the large and growing projected budget deficits late in an economic expansion, and he liked the idea of doing it on the spending side. So we developed the flexible freeze. He had gotten over 400 electoral votes running on it, actually used it in his debates and mentioned me in the debate when he was attacked about the numbers not adding up. Typically you go in and take advantage when you first are elected, and there was a decision to have a holding pattern and have an interim budget and to see what happens.

It's alleged by some that Darman engineered that. I've also heard that Senator [Robert] Dole gave that advice to the President. This is hearsay from me, I'm not in these conversations, but it was very clear when I arrived during the transition that all of a sudden there was this notion we were going to have this interim document and we were going to wait and see, which I thought didn't make much sense. I said so, but here I was, new kid on the block, hadn't been confirmed yet, etc. His seasoned advisers were telling him to wait. So I think we lost some initiative there. It may or may not have been feasible. If there was this advice from Dole or others to wait, maybe that was the best advice, I don't know.

I think the steam went out of the idea for a flexible freeze by waiting. We had a budget that was kind of reflective of some of these things, but the snapshot worked after we fine-tuned all the numbers, and so the first year was the first year. We almost got the capital gains tax cut passed and Mitchell demanded we get 60 votes in the Senate and we could only get 58, so we got it through the House but not through the Senate. We got it through the House with cooperation from conservative Democrats. Kind of the Reagan strategy getting the tax cuts in 1981.

We then entered more formal negotiations. I played some role in advising on, given the soft economy, what would be sensible or not. Again, we have this accounting fascination in Washington, so they had to agree on a number that they were trying to reach. It's the only way they can really think about these things.

They wanted to do something that was sizable, so they agreed on \$500 billion. In those days it was real money. And I very much said this had to start slowly because the economy couldn't take a large fiscal contraction early, given how soft it was, but that if it was really believed that there were firm enforcement mechanisms, in the out years the spending growth would be slowed, the deficit would be reduced. A small positive effect on interest rates, positive meaning that they come down a little bit, would offset part of the short-run fiscal drag. That would make sense up to a point, but had to be careful in the early stages.

Well, this played into the politicians' natural proclivity, which is to put the pain out there in the future and take credit for it. If the economy had been growing at 4 percent, you might have had a somewhat less backloaded system. I wanted to make sure that we put in stuff that actually worked or had a chance of working because the Gramm-Rudman idea was a plausible idea. But again, you had to forecast a snapshot in the future on a certain date of the budget deficit reaching some number. It didn't have what you would do. It had the sequestration if you didn't forecast it, but not if you didn't actually deliver.

We put in some spending controls; we put in caps on discretionary spending after jacking the base up the first year. This was called the Byrd deal, for Senator [Robert] Byrd who was Chairman of Appropriations at the time. We put in these pay-as-you-go rules, which were a good idea up to a point, but we didn't appreciate how much it would harm the ability to lower taxes since there were large projected deficits. I think people were so focused on trying to make sure that new spending wasn't put in without paying for it, which had been the concern from the '60s through the '80s.

We put in some capital-gains-type forgiveness for new ventures, and those kinds of things had been expanded. So I played some role in the economics of it all but not in negotiations. The negotiations were run by Sununu, Darman, and Brady. I would hear about them from various people, occasionally from one of those people, occasionally from the President, sometimes from Congressmen and Senators alleging things about what was going on.

**Riley:** This was before Andrews? Or are you talking now about the negotiations out at—

**Weatherford:** This is '89.

**Boskin:** No, this is '90. First there is a meeting on Capitol Hill. We agree on the broad parameters and then eventually the thing winds up at Andrews Air Force Base. The Democrats keep leaking their stories. Everybody can bring one assistant, and some of the Democrats, [James] Sasser and Mitchell are bringing their press aides.

So they're dumping on Phil Gramm and all these other—I assume it was their press aides who were doing it—but “Gramm Proposes Medicare Cuts” shows up in the *Washington Post*, right? In any event, it was the chairmen, ranking members of the relevant committees, Budget and Finance and Ways and Means and so on. It was leadership and so on and so forth.

**Riley:** But when you said you were—

**Boskin:** I was often at Andrews, but I was not part of the core negotiating group. I provided advice, as did Roger Porter and a couple of other people.

**Weatherford:** Was there a consistent negotiating strategy? It sounded at times as if Bush was willing to put more things on the table than Sununu was for instance, and there seemed to be some sort of missed signals.

**Boskin:** It was clear to me that people had various sub-agendas and came with different experiences that both helped and hindered them. Certainly Bush was concerned about taxes substantively and politically. Darman wanted to put in these controls, but also had the view that taxes were too low. That to be a great nation you needed a great government as well, not a large, overbearing government, but that we had cut too far and he had thought in '81 we cut too far and therefore the '82 increases were a good idea, etc. The conservatives disliked him for that, but he was a strong guy with strong views.

**Riley:** Was he actually making these arguments before the President or in Cabinet meetings?

**Boskin:** Oh sure. I mean, he'd be careful what he said in Cabinet meetings because people shot their mouths off afterwards about what was said at Cabinet meetings, but he'd be in the Oval Office and he'd be making comments about—obviously we were going to have a tax increase at some point. To him it was just a negotiation. I think he was so close to it and he thought, *Well, we raised taxes five times in the Reagan administration, why is it going to hurt Bush?* Reagan did it a whole bunch of times. Here he's trying to deal with a budget deficit, but obviously there was a huge political cost.

There was a disagreement about what the political cost was. Brady tended to be very sensitive to the class-warfare kinds of arguments. I think President Bush thought the main problem was the appearance of him breaking his word, going back on his word, how that altered people's perception of him. I tend to think that also.

We talked about what it meant, and it meant no new taxes. But I always thought it meant the moral equivalent of no new taxes. That is, you would fight as hard as you could to prevent tax increases, get as much control of the budget on the spending side as he could and if, at the end, it didn't literally mean that there wouldn't be one dollar more of taxes, if it was, let's say, 98 percent spending cuts and 2 percent tax increase that came about as cleaning up loopholes in the code or something, that obviously in my mind was no new taxes. But you get partially pregnant. It's a question of how far you go. I think that it went too far. It certainly went too far for our base.

**Riley:** "It" being the agreement.

**Boskin:** Yes, the agreement politically was quite damaging to the President, and I view that as quite unfortunate because there was a lot of good in the agreement but there was a high price tag to do it. I don't know whether the negotiators could have gotten less taxes, more of what the President's agenda was. I tend to think there was a chance of it. I've been told that by other people who were in the negotiations on the other side, but I don't know whether that's true or not and I don't want to be in the position of blaming this, that, or the other person.

In the end, President Bush agreed to it and signed it. Whether Darman or Sununu or Brady had their own sub-agendas or whatever in the details of what was being negotiated, who knows. They came with their experiences, they had their priorities within this, etc., and they were trying to do what they viewed was right for the President and the country.

I will say that President Bush I think always had what was in the country's best interest in mind and was willing to use his political capital. He thought that doing something serious about the budget deficit was important. Because he kept getting told by Darman and others who had been in the Reagan administration that, "Remember when President Reagan signed the '82 increase he was promised he'd get two dollars of spending cuts for every dollar of tax increases. He never got them, but we have these mechanisms that are going to deliver."

And by and large, they mostly worked. Not perfectly, but the spending controls partially worked in the '90s and were renewed. They've broken down now, there's so much revenue they can spend whatever they want, but I think they worked basically for a decade on and off. In an occasional breach they were raised, but basically spending did not grow very rapidly as a share of GDP. Partly of course because defense was reduced more than it should have been. I mean the country in the '90s. It was heavily accelerated under Clinton.

So I think President Bush was very long-term focused, wanted to do what was right for the long term and I don't think he or we did a good enough job of explaining that because there was such a maelstrom. I think part of why it happened was that it was in the middle of the preparations for the Gulf War. All this occurred at the worst possible time for what was going on in the economy, how he was being hit, the attention he had to pay. He built the coalition domestically and internationally.

Clinton was afraid to go to Capitol Hill to seek support for some of what he was trying to do overseas. Bush thought the right thing to do was to go to Congress. And you may remember there were many Democrats in Congress who voted against the Gulf War, thought it was unnecessary, unreasonable, unfair, undesirable, barbaric. Whatever they thought, okay. So it's not that he couldn't do both. He did. But it all occurred during that time.

So, if you were to say to me, as history looks on, that was building that coalition and doing that right, getting the Iraqis out of Kuwait and stabilizing the region for a while, even though it was done imperfectly. If we were talking about massive body bags back here, we'd remind people of Vietnam, we'd have the trauma of all that, so it all went off quite splendidly by what anybody was predicting.

And, then, of course, he zoomed up in the polls and there was a 90 percent on the polls, and I think that led the political people advising him into a false sense of optimism and security, and, as I said, I told him they threw Churchill out after World War II, and the Gulf War wasn't World War II. As important as it was, as great as it was, as much as I admire Cheney and Powell and those guys.

**Riley:** Did you get a reaction from him on that?

**Boskin:** I'll leave that between the two of us. I've probably gone further than I should at this stage.

**Weatherford:** When Bush signed the June 26<sup>th</sup> agreement saying that revenue increases were on the table, do you have the sense that he did that because Darman had finally convinced him that this was the right way to go, or that politically this was the only way to get an agreement and—

**Boskin:** He was in a position where the Democrats said, “This is over unless you agree that they are on the table.” And so he thought that it was the right thing to do to have something in this regard. Sununu tried to wordsmith it by saying we’d call this “tax revenue increases.” Sununu would make the case, “Well, suppose we cut capital gains rates and revenues go up, that satisfies this.” So, they got a little too cute. It was very clear to anybody that his “no new taxes” pledge was going to be hard to hold, or the perception that he was fighting hard enough.

There’s an old line, maybe it’s from one of the Theodore White books, that people elect presidents to protect them from other peoples’ Congressmen. I think you have to actually be, and let people know you are, fighting to protect their pocketbook. And I think that not a good enough job was done with getting that message out, but given the dynamics, the softening economy, the conservatives really wanting “no new taxes” to be taken literally, not one iota. Plus, by the way, we should actually cut taxes in that situation. There was an economic case, as we realized how soft the economy was, of lowering taxes.

The big problem in the ’80s, when so much of economic policy was recentered toward a more sensible policy, was that spending was not gotten under enough control, and that’s why we got large deficits. Taxes as a share of GDP were first stabilized, then declined slightly to historic norms; spending went up as a share of GDP. Defense was part of that, but it went up a lot more. Entitlements went up a lot. The parts of the budget that were going to have to be tackled were tough parts of the budget, and parts of the budget where you were going to have to do a lot of selling and a lot of explaining.

Maybe if the Gulf War hadn’t been there, or if things had occurred in a different sequence, we could have done a better job. I’ll take my share of the responsibility for that. But it was pretty obvious to me that we were slipping away from what he had run on in 1988, which was a flexible freeze, reduction in the capital gains tax, which we at least tried to do and almost got through.

So I thought that where we were supposedly headed was to something that had the vast majority of this on the spending side, had some very minor, hopefully quantitatively trivial tax component which the Democrats could attack, but which Bush could defend. I think in the end it went beyond that on the tax side, even though it had good stuff on the spending side.

**Weatherford:** You mentioned that you felt uncomfortable with the clarity with which you explained it.

**Boskin:** The clarity with which I explained what?

**Weatherford:** The administration explained having to go back on the “no new taxes” pledge. And of course the key to that is that October 2<sup>nd</sup> speech, and you must have contributed to that, one would hope.

**Boskin:** Yes.

**Weatherford:** Some people have said that this was an opportunity for Bush to give a clear, strong justification for raising taxes, and if he had done so it might have worked but that it wasn't strong enough and it wasn't clear enough. I'm sure that is a contentious interpretation. What is your sense of that speech? Looking back on it would you have done it a different way? Would you have wished it hadn't—

**Boskin:** Given how much taxes appeared to have been raised and given what had transpired earlier, including the conservatives in the House bolting and so on and so forth, it would have been hard to make the speech you're talking about, both politically and substantively on the one hand. But also the economy was soft. Talking about raising taxes in a rapidly softening economy is tough. Even though they are mostly backloaded three years from now, it's a very, very tough sell. And I think an improper one.

So, I think he could have done a better job of explaining what he was trying to accomplish, and I'll take my share of responsibility. I commented on the speech, but these things are passed around and there is a little bit of who is the last person who gets their shot at it. But it was generally perceived that Bush wasn't as good a communicator as Reagan in the mass area, and then again, people have said Clinton is very good. That may have been true.

I thought Bush was very good in smaller groups and was a better communicator than he is given credit for. Sure, he was not Demosthenes and so on when he was a public speaker, but he was plenty good enough. It was more the confluence of events rather than that the speechwriter didn't get it right. It was the confluence of events, the softening of the economy, the political turmoil and how do you say, "Well I haven't raised them that much," when the whole right wing of your party has bolted on you. You might have wished they didn't, but if the negotiation had much less in taxes maybe they would not have and maybe we should have walked away from the negotiation.

Maybe we should have said, "Okay, we'll take a sequester." I mean, that was something Boyden Gray and I discussed with the President. You know, a government shutdown isn't the worst thing in the world. It became a big problem later on when [Newt] Gingrich boldly said, "I'm shutting down the government for a good reason." But Bush could have said, "I'm holding the line as best I can. I've put stuff I said I didn't want on the table, but they're being unreasonable," etc. But he made a decision, advised heavily by Sununu, Darman, and Brady about what he could do and where this could go, and by the way, Bob Michel and Bob Dole advising him, and he decided this was the right thing. He was the elected official.

So in the end, obviously, I supported the President. He made the decision. He was the guy I was working for. I would have been happier with a different outcome, but maybe that outcome I would have been happier with wasn't feasible. It's very hard to know that.

**Riley:** I want to ask you to go back to one question about the environment. The President evidently was approached on a couple of occasions about reiterating the tax pledge after the convention. Do you remember any specific instances where in addresses the idea was floated and

seriously considered—or batted down—to have him reiterate the pledge again before the negotiation? Something that would have continued to reset—

**Boskin:** No, I remember vaguely that it was discussed, or that the subject came up. It certainly came up again when he was running for re-election, making a second one or pledging to cut them or whatever, and we wound up having something in his acceptance speech. But I think that a lot of administration officials who had been asked that when they were up on Capitol Hill were testifying to other things. I certainly was asked, I'm sure. The Treasury Secretary, OMB Director, others were asked that.

**Riley:** But the President obviously never restated it, which suggested that Darman had already begun to have that kind of influence, or Darmanesque thinking if not Darman himself.

**Boskin:** That's hard to tell. There's one theory that Darman and Sununu formed an alliance, and Sununu relied on Darman. Sununu may have been more conservative than Darman; some people think Sununu was trying to use Darman to help him in various ways, but Darman wound up taking advantage of Sununu.

They interacted many times each day, as the Budget Director and the Chief of Staff should. I'm not going to try to psychoanalyze that or anything of that sort. They're both very talented people who did a lot of good things and some things that weren't good; however, I will say that Darman would let it be known that he thought the "no new taxes" pledge was something we had to deal with rather than his core guiding light as a philosophy. While I didn't agree with that, I don't think it's a bad thing to have someone in the administration who has a different point of view. But it's important that the President be able to do what he thinks is right, take advice from various people.

Bush had his opening to get serious on the spending side, serious about the flexible freeze. In the end, if he got into a negotiation that was overwhelmingly on the spending side, it had some very minor tax increases, certainly not an increase in income tax rates but some loophole closing, miscellaneous this and that, which everybody said basically complied with what he was saying. But I was also very sensitive to the partially pregnant thing, and there is a slippery slope. That's not how it worked out, for a variety of circumstances, the most important of which I think was the balance of negotiating power, given the control of the House and the Senate by the Democrats.

I am pretty conservative. Even though I'm not viewed by some economic conservatives as conservative enough, there's a lot more government spending I'd get rid of than a lot of other people I know. I think a lot of government spending doesn't pass cost-benefit tests, and a lot of it could be gradually unwound doing very little damage to the people currently receiving it, and maybe even help them by getting them off of receiving government payment, and that would help us lower taxes, etc.

That being said, there is this issue of how literally to take the "no new taxes" pledge. I took it seriously. The President said it. It was the most memorable line from his acceptance speech, and



you try to deliver on what the President proposed. It was very clear that he had a very tough situation with the Democrats in control.

A lot of conservatives say, “Well, Reagan did this in ’81.” But he also was forced to raise taxes many times, especially when he lost his governing majority. I’m a big Reagan fan, so I think he did a lot of good. I think the tax cuts were a good thing, and the tax reform in ’86 was a good thing. But you’re still in the situation where they say, “You should have done this.” As if the Democrats in the House and the Senate had nothing to do with it.

Now maybe we could have gotten there by mobilizing the country. It would have been a big gamble. Boyden Gray and I both mentioned the possibility of just saying, “Okay, we’ll take the sequester, and the Washington Monument will shut down, various agencies will have to get by on what they spent last year, or whatever, and we’ll go on from there and some will have to get by on less. Then some pain will build, and we’ll get to—”

I think that might have been something doable if it didn’t occur in the middle of the Gulf War. We didn’t start the war until January, so it was Desert Shield rather than Desert Storm, the preparations for the war, building the coalition. I think Bush’s sense of propriety probably was that it would have been very chaotic to have that going on while you were trying to build a coalition in the Congress for these other purposes.

There’s a war going on, the most important thing we’ve done in 20 years militarily, and really in a strategically important part of the world to us, maybe some important defining issue in the post cold war period, how we deal with this. Can he simultaneously have this battle with Congress that was continuing and part of the government shutdown while that was going on?

**Riley:** Do you remember how the terms of the agreement were communicated to you? Did you read about it in the paper or did somebody call you and say, “This is what we’ve agreed to”?

**Boskin:** Well there were times—I heard about it shortly afterwards from principals. For example, this famous meeting in the White House when he signed the thing agreeing to tax revenue increases. I was not at that. But Dave Demarest told me, “They’re upstairs about to sign something,” so I heard it from Dave Demarest, who was the communications director.

**Riley:** Did any of the conservative Republicans who bolted call you to ask you what was going on?

**Boskin:** I got a lot of complaints, yes. Not just then but throughout my time in the White House.

**Weatherford:** Did they complain to you because you were the CEA Chair or because they thought you were instrumental to the agreement?

**Boskin:** I think they complained for lots of reasons. They were upset. They wanted to know what was going on, they wanted to know why I didn’t block it. Some of them wanted to know, which was a kind of interesting perception on what was going on.

**Weatherford:** Did they feel that you were more accessible than Darman and Sununu were?

**Boskin:** I don't know who else they called. I can't tell you what their phone log was like, whether they talked to Sununu and Darman or whether Darman and Sununu would return their calls after they told them they were bolting, but I tried to retain the best relations I could with people, some of whom were very mad. But, for example, for the next couple of years I got lots of calls from Newt Gingrich who had lots of ideas, many of them good. Then I learned that when I passed them along, after a while I had to be careful where I said it came from Newt, because there were people who were very mad at him.

**Weatherford:** In the couple of weeks after that vote on the fifth of October that turned down the initial agreement, the government did get shut down for a few days, it was kind of like taking a sequester. Did the White House have a backup strategy, and was it orchestrated? Or were you all doing as well as you could on a sort of ad hoc basis?

**Boskin:** It was somewhere in-between the two, I would say. There had been some thinking about how things might unfold, but—

**Weatherford:** It hadn't been mapped out.

**Boskin:** Not in my presence it hadn't. Five chess moves down the road, some discussion of it, but not, "Here's what we do under these conditions and here's our playbook under the following circumstances." There may have been one, but not one that was explained to me.

**Weatherford:** Well, when the thing finally got passed at the end of the month, there must have been some debate about whether to veto it or go ahead and sign it.

**Boskin:** Sure, there was discussion about what to do. There were several Cabinet officers that were—for example Mosbacher and Kemp were enormously upset and there was some concern that they'd bolt. Especially Kemp, not so much Mosbacher, who was a close friend of the President's. Mosbacher was a tie to some in the business community who were big supporters of Bush, including financial supporters. They were very unhappy. At that stage, I said the best we could do is to emphasize the spending side, and we again probably didn't do enough of that.

**Weatherford:** How did the advice on whether to veto or sign it break out?

**Boskin:** I don't remember. I mean obviously, the principals who negotiated it and who saw it transmute a little bit were in favor of going ahead. This was the best we could do and they were very mad at the conservative Republicans. They remarked, "Well, they bolted on the tax reform in '86, they'll come back," etc. I thought that was a bit of a misreading. I know there were some people who let it be known that they thought this was kind of a signature issue and that there couldn't be any tax increase. Kemp was livid.

**Weatherford:** Were the political people mostly in favor of signing it? The Teeter, Ailes people?

**Boskin:** I think they recognized the problems. They didn't recommend that Bush veto it in my presence, but I don't know what they might have said. Obviously they had many meetings when I wasn't there.

**Riley:** Were you also getting feedback from sources in the professional sector? I mean, your academic colleagues and business economists and so forth, who were equally perplexed or concerned about what was going on?

**Boskin:** Most academics and most business economists were in favor of doing something serious on the budget deficit and were less interested in the President's political situation than in the substance of the agreements. They wanted to get into details about what was actually in it, which were hard to get out, how the caps worked and stuff like that. I spent a lot of time trying to explain that to people. I would say there was more support for it than not.

**Riley:** So you were actually getting some positive feedback from people.

**Boskin:** Both positive and negative.

**Weatherford:** From business economists? Business interest groups?

**Boskin:** Sure, both. The small business interest groups were adamantly against it, Chamber of Commerce, NFIB [National Federation of Independent Businesses], they were pretty unhappy. More established business was less unhappy.

[BREAK]

**Weatherford:** We haven't talked much about international economic policy, and you mentioned yesterday you were involved in decisions about aiding the Soviet Union. I think it would be good to move over to that, but we wanted to give you a chance to talk about the Gulf War and how the potential domestic economic implications of the Gulf War were discussed and whether they were.

**Boskin:** Well, there were many times they were discussed in many contexts. First of all, President Bush was acutely aware that high oil prices often led to recessions or economic slowdowns. I told him at Camp David in the summer that we were either in a recession or about to be in one, and that maybe it would not be long enough to be called a recession if the Gulf War ended the next day, but since it didn't look like we were going to be doing very much for a couple of months while we were building up our presence over there, that this was a weak economy which was going to be made considerably weaker temporarily. Therefore all the political dynamics of going from a soft economy with some employment growth to a recession with rising unemployment were on his mind, amongst other things. But he had a task to do, a mission to fulfill, and I think he did splendidly.

So that was one element. Then there were all the energy-related issues. You know, the national energy strategy got made much more dramatic by the fact that this was going on. Then there were issues about whether we should release the strategic petroleum reserve. Here's an

interesting area. There's a lot of economics research which generally says, well boom, you release it, but that's all on the assumption that you're at full capacity, and we figured out a way where we could get the Saudis and some others to increase their capacity. If we released the reserves, they wouldn't have increased their capacity as much, so it was unclear we could have a large impact.

We made the decision—and there were a lot of rumors about when we do this—and prices would go up and down and some of the people on the military side who didn't understand markets very well were arguing that the market was being manipulated, this, that, and the other thing. If you're about to not have any oil available, obviously that's why the futures market, all of a sudden the price is up to \$50 a barrel, or whatever it was. So I think everything was quite understandable from supply and demand and prospective supply and demand.

We made the decision that the best time to release the reserve would be right at the launch of hostilities to kind of reinforce, in case there was a problem at the time, in case there was a large withdrawal of oil from the market. It would help some in the short-term. That's what the strategic reserves were for, these really extreme situations, not for prosperous peacetime when the price of oil went up a little bit. So that was another way the Gulf War affected it.

I think the Gulf War had a very dominant influence on policy formation because it was so spectacularly successful. It restored the nation's pride in the military and respect and admiration for the military, which had been somewhat tarnished in Vietnam, at least in some quarters. Obviously there were many people who still admired the military. And not the least, by the way, the military's admiration of itself. There was a lot of self-doubt in the military at some point. A lot of questioning of public support for the military. So I think everybody was thrilled about that. But he was so high in the polls it led to the formulation of the strategy that Sununu summarized by saying we will run on crime, quotas, and Kuwait. And that didn't work.

Whether another strategy would have remains unknowable. I think it was desirable, given the economic situation, to have a more aggressive program; whether it would work, I don't know. There were a lot of conflicting forces trying to do something about the long-term budget, goosing the short-term budget, trying not to play into the Democrats' hands for expansion of a bunch of cost-inefficient and target-ineffective spending programs while they controlled the Congress. There were a lot of problems to formulating and successfully implementing such a program, but, in any event, the "hold tight and elect more Republicans in '92 on the President's coattail" strategy is what held sway in '91.

**Weatherford:** That raises all sorts of interesting potential questions. But let's talk about the Soviet Union. You promised us yesterday. Tell us about the decision-making.

**Boskin:** Policy-making was interesting and fun.

**Weatherford:** And you were involved in it.

**Boskin:** Yes. The President occasionally would tell some foreign leader who said they needed help, "I'll send you Michael." It was nice that he had that much confidence in me. Other people

might have said I was expendable, but the Soviets had been through a couple of attempts. You know they had this plan, a 500-day plan; this guy and that guy would come in. [Leonid] Abalkin would say this, [Stanislav] Shatalin would say that. Different plans. At the top, of course, they were really not all that knowledgeable about market economies. When they had summit meetings they would throw at Bush, “Well, your workers have pension funds but our workers own their companies. What’s the difference?” You know, stuff like that.

So it was very clear that they had a lot of stuff to learn and vastly more to do. So I went over and had some meetings with top people. Imagine this, it is still the Soviet Union. They want to transform their economy. They sort of started to transform their polity first.

**Riley:** What year was this?

**Boskin:** ’89 and ’90. Gorbachev is still in power. I have to go back and check my records to get the exact date. There is still a communist party, central committee that is running a lot of stuff, there’s still a head of the state planning agency, etc. So I’m asked to go around to these different places and I have my translator who is probably reporting back to the ambassador, also to Baker, etc. and so on. First I go see the head of the state planning agency. We’re talking and he’s trying to figure out something.

All of a sudden he says, “Who sets the prices in your economy?” So I go, “Well, for most goods and services, of which there are millions, it is the interaction of millions of consumers and thousands of producers, and for some it’s dozens of producers, whatever. We have a small regulated sector where there are a very few number of firms, but primarily these are set by market forces and the interactions of suppliers and demanders.

I went through Adam Smith’s invisible hand of the market, that it is not to the beneficence of the baker but to his greed that we owe our bread and so on, and so forth. I’ve won a lot of teaching awards, but this guy had no idea what I was talking about. I was the economic adviser to the President of the United States, so I must be the guy who set the prices!

So he takes out a 1960s-era computer output, from this old mainframe, these big wide sheets that you’d flip over with holes in the side. And it’s the price list from the Soviet Union. He’s been told by Gorbachev that he’s got to reform prices. I’m the President of the United States’ economic adviser, so as we’re sitting there, he wants to cross out the old prices and me to fill in the new prices.

As I said, I’ve won some teaching awards, but I said, “Oh my God, this is worse than I thought.” So then I go see the head of the central bank. I see the finance minister, a guy named [Valentin] Pavlov at the time. He later became Prime Minister and then got involved in the coup against Gorbachev. Who knows where he is? Maybe he’s dead or a prisoner, or running some firm in the Soviet Union.

In any event, I was talking about making the ruble convertible. We were going back and forth. Now again, I’ve won teaching awards, so I know that maybe the translator didn’t get it exactly right. Maybe I’ve got to say things four or five different ways. We’re talking past each other, and

I can't understand where he's coming from. He just motions for me to stay put, gets up and walks behind his desk. We're in the Kremlin now. He goes and walks through some kind of door you can't really see unless you look carefully behind his desk. I make nothing of it. He's gone three or four minutes. I start to wonder where he is. He's gone 15 minutes and I start wondering if people in the embassy know where I am. This goes on and on.

Finally he comes back and he hands me a little case with a little velvet cover and motions for me to open it up. Inside this pretty case is a coin. It says one ruble in Russian on it. He motions for me to turn it over. On the other side it says one dollar, in English. This is his notion of a convertible ruble!

So we discussed the advantages and disadvantages of a convertible ruble. So then Gorbachev got this idea and some others got this idea that I should go on Soviet television every night and explain how a market economy worked to the Russian people, which would have been kind of the penultimate teaching experience of my lifetime, or the ultimate, but they were involved in some pretty bitter discussions.

[Eduard] Shevardnadze's view of why you need free economy reform is to let everybody have a dacha. How do you have everybody have a dacha but not have such strict control of dachas? Other people say it's reforming agriculture. We know how to reform agriculture. If we get agriculture production up, that solves all our problems because always when we have a bad year that screws up everything because we've been planning everything and it doesn't work.

I came back and wrote a report to the President and to the head of the CIA and the Federal Reserve, and the Secretary of the Treasury, etc. We went through the National Security Adviser and we had a meeting over this and I said that my view is it's going to be a decade or more before they can really start having a serious functioning market economy. They have all the issues of rule of law and property rights and so on that have developed over hundreds of years and kind of a Darwinian process here.

Even if you could condense that, it's not going to be easy. These people are not used to that system. You've got all the institutional issues. The people who know anything about the skills that are really valuable in a market economy, trading skills, knowing what things are worth and adding value, are working on the black market. They were buying and selling stuff over on the black market where they're running firms that are producing ball bearings but they're making out on two million pairs of shoes that they're also using for other purposes.

I was very pessimistic about how long this was going to take. They were going to be more like a very poor market economy and it was going to be the major part of a century before their standard of living would catch up to rich country standards, if that. So this was a serious problem. They had a lot of advantages, they had pretty good education, they had an industrial capacity of some type, although it was heavily diverted to the military. Anyway, I got a lot of kudos for the report.

**Weatherford:** What effect did it have on—

**Boskin:** I think it affected people's thinking about these things. Then we got into this crazy situation where there was all this pressure to have a \$100 billion bailout of Gorbachev in 1990 as we headed toward the economic summit that year in London. I think I have my dates right—you should double-check these facts. There was this idea of inviting Gorbachev and bailing him out with a \$100 billion package from the G7 so we could save the Soviet Union because no one wanted to “lose Russia.” They were allegedly going to have all this starvation in the winter.

Other G7 leaders were calling Bush and pressuring him on this. Mitterand and Kohl and John Major were calling him, but particularly Kohl, who had this issue of getting the Russian troops out of the former East Germany. The Germans had given a large amount of money to build housing to regarrison the Russian troops back in Russia. So Gorbachev sent [Yevgeny] Primakov over to negotiate with us about this. Primakov eventually also became Prime Minister, but he was kind of a roving troubleshooter for the Kremlin on and off for many spans of time, including in the Middle East.

So, as is often the case in governments, the foreign ministry and the finance ministry argue over turf on international economic policy. Since they had somewhat different perspectives on what we should be doing, I was asked by the President to chair our meetings with Primakov and so on. I had the top people from the State Department, the Treasury, [David] Mulford and Zoellick and Condi Rice and others, and we had the negotiations in my conference room.

There were three Soviets, Primakov heading the delegation. And Primakov wanted to open up his trench coat and show us the list of things he could sell us. “Pay for this factory, pay for this dam, etc. This is what we really need you to do and we could sell you—” It would be kind of like a university selling signs on buildings. “Give us this money and we’ll make good use of it and your name will be in lights blah, blah, blah.” Money is fungible.

So I bored into it and asked him, “What did you do with the money that the Germans gave you to regarrison the Russian troops? We want to go inspect the housing. And you have all this gold, is it clean or dirty, do you really own it? How do we know that other Soviet republics aren’t saying they own it? He couldn’t even answer. This went on for two days and I was supposed to go brief Bush and then we were going to have a meeting so he could hear from Primakov directly and then talk to Gorbachev, and I just told him that I thought we should be doing it if they would agree to decommission all of their nuclear weapons. Otherwise, the money would be wasted, stolen, misused.

In the end we gave them some technical assistance and some CCC [Commodity Credit Corporation] wheat because they allegedly were having a bad agriculture year. Now there was some discussion that that might have actually hurt their agriculture more than it helped them, but our Secretary of Agriculture with a straight face declared them creditworthy. So we had an agricultural component, some technical assistance.

I think one of the best things we did was not throw that money away. One of the worst things that the Clinton administration did was their dealings with Russia. I think that they pushed the IMF [International Monetary Fund] into throwing a lot of money into the place that really is hard to account for. There’s disagreement whether it has been stolen or anything that corrupt, but it

certainly doesn't seem to have done much good. Bush, by the way, President Bush had a remarkable ability to understand when *not* doing something was a good idea.

For example, when the Berlin Wall fell, he could have stood up and really rubbed it in the Soviets' face and said, "We've been waiting for this." He could have gotten in front of every interest group and made these rabble-raising speeches, but he thought that that might make life very, very difficult and evoke a reaction, and he was trying to avoid evoking a reaction by the Soviets. And there were many other instances of that sort where he showed his maturity by refraining from taking advantage of a situation for short-run political gain.

**Weatherford:** Can we talk about NAFTA for a while?

**Boskin:** Well, as you can imagine, the CEA is usually a key player in promoting trade liberalization, a big defender of free trade. Strongly, President Bush's views, and as strongly, George W. Bush's views.

The one thing I would give Clinton some credit for is a decent trade policy. Even though he was finishing up Reagan and Bush initiatives, he did get the GATT round finished and NAFTA passed, although heavily with Republican votes. But he could have sought comfort on the other extreme in his party and blocked them. It's good for the country that he didn't and good for him that he didn't. So it's been a bipartisan foreign policy consensus that liberalized trade is a good thing.

Most economists tend to look at this very narrowly as an economic good thing. Most people in the political process think of it more generally as a good thing, not just the economic benefits, the economic gains from trade, for which economists since David Ricardo have been trying to convince politicians with very mixed success. In the 19<sup>th</sup> century, England had the corn laws, the repeal of the corn laws. Pitt [the Younger] rises and falls with the free-trade argument.

So this is something that is a comparative advantage. Things of that sort are a very subtle concept, and many other reasons for trade promotion and trade liberalization. But it's a part of the foreign policy building a world order where people interact and fight less and argue less, even though there is a lot of petty bickering about trade, sometimes not so petty. So we were relaunching the GATT round, we had the issues with the Japanese we inherited, and we had this issue which was starting to become a press refrain about the current administration: We're not multilateral enough.

There were parts of the administration, the trade representatives' office, were having a hard time figuring out how they were going to negotiate GATT, multilateral basis, while having a regional trade agreement. There were many in what became the WTO [World Trade Organization], but in the GATT orbit, that were against regional trade agreements and so on as kind of a substitute for multilateral trade liberalization. We viewed them as complementary building blocks, and I think on balance that's true.

But President Bush clearly had something even bigger in mind; he wanted better relations with Mexico. He thought this would be good for Mexico's economy, it would be on balance good for



our economy, but since their economy was 4 percent of our economy in size, it was going to be a small deal for our economy, a small positive, with some losses and larger gains. For them it would be very big and very important. Not just for their economy, very important symbolically that we were going to treat them as a partner. And I think he was quite right in that.

I think that has greatly improved U.S.-Mexico relations, which could have lots, and do have serious problems—drugs and how to deal with the flow of people and so on and so forth. So there were those of us who were strongly pushing expanding the U.S.-Canada free-trade agreement to include Mexico, to create NAFTA and that included the CEA and the State Department and National Security Adviser, and so on. We wound up having President [Carlos] Salinas' chief of staff, Pepe Cordoba, come visit and make the rounds, and then we could tell everybody how we were discussing this.

President Bush liked the idea, and then all the other agencies wound up coming onboard when they started reading that. It was kind of funny to see how the deliberate leak that some people used was getting done what they expected to get done.

**Weatherford:** Was this the CEA's idea to bring him out and sort of use this vehicle to generate support?

**Boskin:** We were part of the discussion of bringing him to discuss it, but we were never big leakers. We would brief on background for substance. I wouldn't say we never did it, but on rare occasions when it made sense for us to do it or we were asked to. Mostly we were briefing people on background for information to get the facts right and clarify stuff in informative discussion with journalists rather than this kind of symbiotic relationship that exists in the White House of selective leaks to generate responses. Left that to people who were better at it than I was and enjoyed it more than I did.

In any event, President Bush was very strongly in favor of NAFTA, and Carla, to her credit, was able to get the negotiations quite far along, despite the level of support for liberalized trade being tenuous. She did a very good job getting it quite far along, but we couldn't quite finish them, partly because it became clear at some point that President Bush might not be reelected. Hence the incentive to close the deal with somebody who might be a lame duck or who might not be able to deliver the vote was tough, and then Clinton took the baton and finished the race for both WTO (GATT) and NAFTA.

**Weatherford:** Were you coordinating with the Canadians all the way through this?

**Boskin:** We were in discussions with them, sure.

**Weatherford:** So they knew that the opening to Mexico had been made and that it looked like it was going to be developed as a three-way, as it was going along, rather than when it had come to fruition?

**Boskin:** At the level of the Presidents or the foreign ministers, I'm not really sure what transpired, but it was clear that it wasn't just after the fact.

**Weatherford:** Would that have been through Carla Hills' office, your office, or through the State Department?

**Boskin:** I imagine the foreign ministers and the trade representatives had some preliminary discussions. You see, the CEA doesn't negotiate trade agreements—that's the trade representatives' office. The CEA doesn't run our foreign policy, that's the State Department. The CEA doesn't coordinate foreign exchange policy, that's the G7 through the Treasury. So, we influence, we cajole, we inform, we advise, we recommend, but we—

**Riley:** The CEA doesn't get used as sort of honest brokers in—

**Boskin:** Sure, but it's rare that the CEA is used to negotiate with foreign governments. That's highly unusual. I did a few things of that sort and Bush used me perhaps more liberally than many are used, as for example with the Soviets. At one point he tried to send me to Turkey to help Prime Minister [Turgut] Ozal. But it turned out for various reasons it couldn't work out.

**Riley:** Were there other places he sent you?

**Boskin:** I was in Poland, in other parts of Eastern Europe. The CEA Chairman chairs the policy committee of the OECD [Organization for Economic Co-operation and Development], so I did stuff there. There are venues where you interacted with everybody, but the CEA is a peculiarly American institution. Most other governments don't have anything like it, so on the international stage it generally pairs me with peers. That's why elevating the EPA to a Cabinet position was not an unreasonable thing to do because the environment ministers are part of the Cabinet in every other country. We have a large Cabinet now. Every kind of area has a Cabinet position. Maybe it's too large, but in any event, the fact of the matter is, there isn't an analog for the CEA in many places.

**Weatherford:** On NAFTA, in terms of building business support, deflecting labor opposition, that sort of thing, was that mostly handled out of Carla Hills' office?

**Boskin:** More broadly than that but sure, she sort of choreographed that to a large extent with help from the White House and other agencies. Certainly the Treasury. When I had an opportunity I made speeches about it. I deliberately would not go out and talk about this specific product or this specific country where she was involved in negotiations for fear of making her life difficult. I wanted to support her and I think she was very good. You have to because there are a lot of moving parts in a complex negotiation. You have to let the negotiator handle that, subject to having him or her report back and make sure the negotiations are going okay.

But I would do something thematic. So one point where these were stalled, the economy was having trouble, I went out and gave some remarks about how the surest way to turn the slow-down into a terrible global recession was to backpedal on our commitment to free trade. So I kind of blasted people who were trying to do that—I used an educational thematic tone but with a political message to it. It was an economists' argument for use in that regard.

**Riley:** And were you also dealing with instances of opposition from certain industrial sectors that were sensitive to the prospect of job losses and so forth?

**Boskin:** Yes, that happened on and off with all sorts of things, including industrial subsidies the Europeans were using. This was an issue with our industrial sector and so on. Carla Hills bravely—it hadn't been done before, at least in the short run it worked—suggested that when we had a retaliation issue with respect to some trade dispute in '91 and '92, we should say we were going to impose heavy fines and tariffs on industrial products in these countries. Maybe it was with the Germans, EU [European Union], or both.

My first reaction was, "This isn't what the argument is about. Spreading it to that is going to make this a much worse trade war." And to her credit she carried the day. She convinced me. She had made the argument that this would get those sectors to pressure the governments where the dispute was to agree to something more reasonable. And indeed, that's what happened.

**Riley:** Anything else on the international agenda?

**Boskin:** There's always an issue about how international economic policy ought to be organized in the White House. This is a classic thing. Should there be an international economic adviser? How do you divide responsibility between the economic side of the House and the foreign policy or national security side? And those are timeless issues. I mean there are pros and cons of lots of different ways of doing this. There are people who thought the way it was handled in the Nixon or Reagan administration was good or bad or so on, but there was no czar of international economics set up.

**Riley:** You had a staff person or a couple of staff people who—

**Boskin:** There was always an international economist on the CEA staff, yes. It changed every year but we had good people, Bob Staiger who is now at Wisconsin, used to be at Stanford. Cathy Mann, who is at the Federal Reserve, is now at the Institute of International Economics in Washington.

**Weatherford:** Did the CEA get involved in issues of technology sharing and things like that, FSX [Japanese fighter aircraft] negotiations?

**Boskin:** Yes, we were involved in those discussions.

**Weatherford:** I know there was a lot of interagency dispute.

**Boskin:** And there was a lot of dispute about it. And we had a meeting up in the residence with six or seven Cabinet officers and myself and the people from the military and we hammered out our position, so we were involved in that.

**Weatherford:** What role did you—

**Boskin:** By the way, while in general I was a free trader, I thought that the case the military was making was weak and that Mosbacher had actually made a strong argument, even though the Commerce Department often institutionally winds up looking like it's trying to protect some particular industry. Maybe it is, maybe it isn't. You know people who are involved in promoting that industry hear from that industry, and may represent that industry up to a point.

I think that there was a concern that at the detail level they had not made the case well enough. The protections on source code and other things in avionics were issues. I was happy to engage on that and happy to make a judgment, and one of the few times you might say I did not come down as a blindless free trader.

**Weatherford:** Were you able to play the sort of judicial role of being the—

**Boskin:** I think when people saw that I was concerned about some things, with the case that was being made for, given, "Here's this academic from Stanford, an economist. We know economists are always for free trade." They never saw a problem in any of these things. I think that probably had some influence, sure.

**Weatherford:** Is that a role the CEA or you managed to play in other debates?

**Boskin:** There are times you come from a position where the economics are pretty straightforward. People sort of know where you're coming from. There are times you can't elevate the economics to be really important for substantive or political reasons. Even though the CEA might be presumed to weigh more heavily one argument or another, you're not the EPA, and Energy, Treasury, and State, etc. There are issues that come up between them where their responsibilities overlap and where they are kind of at loggerheads institutionally. Not always, but sometimes. And so sure, the CEA can sometimes play a useful role there. And generally you try to get the facts right, you try to push people.

It wasn't uncommon to feel that people would generate information or numbers that wouldn't hold up under close scrutiny, and you'd sort of force them to defend the numbers. That was one example of the kinds of things, one way you could make your case or prevent a bad case by discrediting the way it was being made.

**Weatherford:** You talked earlier today about how the role of the CEA has changed as it is now not the only agency that has skilled economic information. Is this a role toward which the CEA should be expected to move? As you think retrospectively of the CEA taking on, adapting a new role, isn't this role a kind of—

**Boskin:** I don't think it's adapting a new role, I think the CEA should serve in the administration, the role consistent with the laws that created it, the President wants it to serve, to best serve his administration.

There will be different ways that will evolve through time, depending on what the President wants and relative to other agencies on the interaction of the CEA Chairman with the President and other principals in the administration and so on. Since I was perceived to have helped Bush a

lot in the campaign and to have some influence and could sometimes get stuff in or out of speeches and things of that sort, I was able to parlay that into having some influence on policy development in areas the CEA often would not at the staff level. I don't think there's any natural reason the CEA must only be the benefit-cost analysis judge or anything of that sort. But there are some things that the CEA institutionally has a big comparative advantage in.

The economic information, the economic analysis, it's not going to have a monopoly because the Treasury is going to do theirs, OMB is going to do theirs. Agriculture is going to do theirs, the Fed is going to do its. CBO is going to do its, and so on. Different committees of Congress now have economists. So there will be various things. But you can work with that. If you've got highly skilled professional people who develop the interpersonal skills, you can be influential vastly beyond the small budget and the limited charter that the agency has.

I would say that there's a tendency of some people, I'm not talking about CEA chairmen, but in Washington, everybody likes to think that they're at the center of everything and they're in on every decision and know everything that's going on. You get these very funny things—a lot of media are partially correct, partially wrong stories show up as they call. The spokesperson doesn't want to admit that their principal wasn't involved, so they kind of fuzz what they say. Then they wind up getting the wrong information about who did what where.

It's easy to exaggerate in your own mind, or try to exaggerate for posterity, the role you played. But I think that the CEA Chairman and members and staff can—and in our case, often did—play a very constructive role, vastly beyond its proportion to its resources, human and financial and explicit responsibilities. But you're not the Vice President. You're not the President's closest political adviser. So it's important, all this gets wrapped up in the politics of it, communications. This is all a package, and economics is an important input and you can shape the economics, get good economics to help the President or prevent harm from being done to the President and/or the country, and we try to do that. But I think it is very easy for people to get the impression that of the thousands, probably tens of thousands of meetings that go on, that you're at every one. People would never sleep. I mean, basically, I worked 15 hours a day, often seven days a week, and you just couldn't be everywhere. The array of things that goes on is just vast.

**Riley:** One thing we haven't talked about, you mentioned the Vice President.

**Boskin:** I should have mentioned [inaudible]

**Riley:** The Council on Competitiveness is something I think people historically are going to find interesting. You were a member of the Council?

**Boskin:** Yes, I helped set it up, too.

**Riley:** Tell us about setting it up and about the work of the Council. How did it come about?

**Boskin:** It came about by several of us, myself, Boyden Gray, and others convincing the Vice President that this would be a good thing for him to do and chair. It was loosely modeled on the task force on deregulation that Vice President Bush chaired in the Reagan administration in the

'80s. The idea was that there are many kinds of issues that come up that have a competitiveness, regulatory burden aspect to them that may originate in one agency but really are not being effectively handled by the existing policy-making apparatus.

Elevating it to the Vice President chairing, basically making decisions or with the President's leave making decisions, would enable enforcing a consistency and rigor of decision-making that might not occur at the agency level. Lots of issues fit into that bailiwick, and they're only able to do some of them. But that's where the agenda for civil justice reform came from, which was by far the most popular thing of that sort the Vice President did. He got a lot of credit for it, and rightly so.

By the way, the Vice President, who is still widely ridiculed, was considerably better than his press, just FYI.

**Weatherford:** Did you have occasion to work with him closely on the Competitiveness Council?

**Boskin:** On the Competitiveness Council and other times. I found him always well prepared. I think he had a good staff. He had quality people working for him and he made good points and he would go to meetings, whether that was on immigration or justice reform, whatever it happened to be. He knew his stuff. So I thought he did an able job in that regard. Why he got into the situation he did with the media, the ramifications for the Bush Presidency, who knows, I have my suspicions, but in any event, the notion that he was not very effective, unable to carry his weight in conversation and so on was just way out of line.

**Riley:** How did the Council function?

**Boskin:** Various things were brought to the Council in various ways and then worked up by the staff. Options were discussed and debated, so I'd send a staff person to work with the staff and then we'd have meetings and we'd debate and discuss. On the agenda for civil justice reform, for example, there were very different points of view in the Justice Department. If we hadn't had this venue for doing that, and we just said to the Justice Department, "You develop it," who knows what would have come out.

The Attorney General, the Deputy Attorney General, and the Solicitor General have very different views about what ought to be done about capping punitive damages and things of this sort. We were able to work with them selectively and develop something I thought was very good. We also helped develop a privatization initiative. There were a lot of municipal airports and other types of facilities which federal money was at one point responsible for either building or helping finance. Now 40 years later they want to have some privatization or partial privatization, and the question comes up, "Is OMB going to demand that they get paid back with interest for the money they put in?" What's the federal government's—?

So there were bigger thematic and policy issues that overrode the narrow financial issues. There were times individual agencies' points of view were not persuasive to the broader group. We

went over everything from bioengineered foods to civil justice reform, telecommunications policy.

**Riley:** Things could get on the agenda from any source? My recollection is that at least most of the press was related to regulatory issues and appeals.

**Boskin:** Much of it was on the regulation. There was OIRA [Office of Information and Regulatory Affairs] and OMB. The Competitiveness Council is kind of the definitive decision-making body, and it was really the case that anything the Vice President obviously wanted was on, and any time any member really had a serious reason to want it on we would work to get it on. So if I wanted something on, I could work to get it on, but I didn't just call up and say, "Put this on the agenda regardless of what the Cabinet Secretary and the agency that was doing this has to say." I would say, "Let's work on getting this on," and work with them to get it on.

**Weatherford:** Did most of the issues come on the agenda because they were ideas that had been kind of percolating in the discipline for a while, or were they particular grievances from business contacts that culminated in policy issues?

**Boskin:** Combination of all, combination of every way. Some of them were ideas, pushing the privatization ideas along, public-private partnerships along. Some of them were more rigorous enforcement of cost-benefit analysis. Some of it developing, with the cost of our overly litigious society, we were doing some thinking on that, how do we effectuate it. Other times you get broad-based complaints, lawsuits—big problem for the business community. Other times they were relatively more specific, they were industry specific, telecoms, whatever it happened to be. I'm not saying it didn't happen, because I'm not absolutely sure it didn't, but I don't know of a circumstance where a particular firm or particular industry said, "Please do this." Certainly when issues came up, their points of view were among many that were inputted in the decision-making process.

**Riley:** Were they invited to—did you have external testimony?

**Boskin:** There were times when people from other agencies, people from outside, sure.

**Riley:** Private interests? Obviously by invitation.

**Boskin:** Yes.

**Weatherford:** Would it mostly have been business interests whose practices were being regulated or did it include, say, handicapped people who were affected by the Disability Act?

**Boskin:** I don't recall.

**Weatherford:** Unions or that sort of thing?

**Boskin:** I don't recall that particular circumstance but it was not certainly limited to business, and I'd say probably more of it came about because of the concerns of people from other parts of

the government about how the agency writing the rule was operating. I would say that was the modal reason something got onto the agenda. It was something that couldn't get resolved, OIRA would express some concern or some lower-level interagency group couldn't work it out with the agency, and so it needed to be kicked upstairs.

**Weatherford:** Well, that obviously wasn't your only work on regulation. Regulatory work with Boyden Gray and the regulatory moratorium seems to connect with this. Can you talk about that for a minute?

**Boskin:** This is related to many of the other things we talked about in the past, such as insufficient initiatives, showing that Bush was doing anything about the economy or anything of that sort. So Boyden and I dreamed up this idea of having a regulatory moratorium and a reevaluation of regulation. I tried—I was always trying to explain something to the general public—I said, "It's kind of like spring cleaning. We've got a lot of regs that have been around for a long time, and you've got all this crap in your closet. You've got to go in and see what you can get rid of, what you need to replace, what needs to be updated, etc."

So we brought together all the regulatory agencies, including the Federal Reserve and so on, the Treasury, IRS [Internal Revenue Service], which issues a lot of regulations. And we said you don't need to stop anything that is necessary for the orderly function of government and for health and safety, but all the other stuff we ought to revisit and you ought to tell us which are the ones that you think are most likely to have benefits which no longer outweigh the costs.

We developed lists of things we could change and get rid of and we had some rollouts. Every week we'd announce a few more. I can't say this was immense—immense would have been to really restructure several of the laws in Congress that dealt with these things, but given that we needed to do something, show the President was doing something, we did some things I think were fairly reasonable. Many of them were good economics because you know, the myriad rules and regulations that have outlived their usefulness strongly argues in my opinion for a sunset idea and so on. You don't just put these things on and then regulate things forever. Just no one has the time and energy to change it.

**Weatherford:** Were there particular areas that you remember fondly?

**Boskin:** I'd have to go back and look at my notes, but these ranged all over the lot. Things where risks were measured crazily, to onerous paperwork burdens on small business, to—

**Weatherford:** I know you've written a lot about environmental regulations and ADA and things like that.

**Boskin:** There's a lot of environmental regulation. It has a big plus in that it is among the ways we've helped reduce pollution and cleaned up the environment. Air and water are a lot cleaner than they were 30 years ago, and certainly the environmental regulation gets some credit for that.

There are many other reasons. We're a lot richer and we use a lot cleaner technology, and I think that's probably even more important than the regulations specifically. The regulation is a key



part of why we're cleaner, but it undoubtedly costs a multiple of what it needs to cost the economy to achieve those same goals.

We consistently try to shift away from a command-and-control approach to regulation, whether on the environment or anything else, to more flexible market mechanisms of setting targets or desirable outcomes and giving people the flexibility to comply with them in the least costly way or the most economically efficient way from their point of view. That was kind of a theme. Again, trying to get the economics from a perch where all you can do is write what the President's views are. Then you've got all these disparate agencies administering these things, writing the rules and regs, etc. Often those agencies are writing them on the behest of protecting particular interests, or at least that's part of what is on their docket and on their agenda.

**Weatherford:** Could you talk about the different ways in which you and Gray contributed to this? His seems like such a different background from yours.

**Boskin:** Boyden is a deregulator. He's an attorney. His major interest in economics is on the regulation side because I guess that is closer to the law than the abstract budget, or monetary policy. He's close to the President and he had been on President Bush's staff when he was Vice President, hence had this kind of institutional history of deregulation.

We sort of got the White House counsel's office and the CEA pushing this. It's kind of odd. You know, it's not the two most powerful parts of the government. Even though the individual pieces are minor, we aggregated up into something that got the President some good press in some quarters, some nasty press in others. But we at least showed him doing some things about dealing with the sluggishness of the economy.

**Riley:** We're running short on time. The '92 campaign—did you play any particular role in the campaign?

**Boskin:** Very modest. Yes, I helped a little. I was not in the campaign, didn't want to be, I'd done it in '88. If asked, I would have been pleased to play a larger role to help the President because I thought, despite all the problems, he on balance did an outstanding job and was a terrific guy and the country would have been much better off reelecting him. But there was this tension between running the campaign with Teeter and Mosbacher and [Frederick] Malek over there and out of the White House. I'm told this is a common thing when you have an incumbent, but obviously an even bigger problem when the incumbent has problems politically. Maybe Reagan in '84 was a little easier. Everybody was sharing in the success. But maybe for Bush and for Carter and for others who didn't get reelected it's harder.

So there was a lot of sniping going on back and forth. But I would make suggestions and recommendations at various places from senior staff meetings to occasional meetings with the President, to meetings with the Chief of Staff to occasional briefings we got but I was very, very respectful of the laws that said that government employees may not work on the political campaign. So occasionally we'd get a kind of errant request for some staffer to do something. I made it clear that nothing from the political campaign should go to my staff, only directly to me because I was the politically appointed and confirmed person. So I helped some.

There was a lot of hostility, the budget agreement that was being worked through. I got somewhat lumped into that. Most of the hostility was to Darman and Brady, but also you know most CEA Chairmen go for two years. That had been the tradition. Bush asked me to stay and I did, but it was always my intention not to become a permanent Washington type. I'm sure under the right circumstances I would consider going back, down the road, but I told Bush and Cheney that for many reasons, 2001 was not the best time for me to think of going back into government.

Despite all the frustration and the debilitation from the long hours and the crap you put up with for the reduction in pay, on balance I was very pleased to have the opportunity to serve my country. It was enormously educational and interesting and enjoyable for me. There was a cost stream that wasn't as large as the large benefit stream. But, in any event, in my mind was hopefully to get him reelected and then I was going to leave. So I think that had something to do with it. Also, once Baker came back in, that operation was much more tightly held. I interacted with Zoellick, who was the Deputy Chief of Staff at the time, and occasionally with Baker, but they were kind of running around on the plane and doing their thing and I would send recommendations in or I would occasionally be asked to edit stuff and so on –

**Riley:** They were basically running both sides of the operation then—

**Boskin:** Yes, I think Baker was basically running both sides of the operation.

**Weatherford:** It sounds as if your contact with the President must have diminished during that period, too.

**Boskin:** Sure, sure. He was moving around. I mean, I saw him but he was less available.

**Riley:** Any particular debates you remember? You mentioned earlier the question about whether they ought to retake the pledge. Was that something—?

**Boskin:** Yes, what he should say at the convention about cutting taxes and how big that should be and what it should mean. Darman was adamantly against it and I thought it would be a good thing for him to indicate that he wanted to move taxes back down at some point and others were adamant that he ought to just demand a large tax cut. Then we had debates about what to do about the economy, how that interacted with the campaign.

I was proposing that we have some specific tax cuts that were deemed to have been politically and partially economically successful in previous recessions: job creation, incremental employment job credits, payroll tax credits, investment credits, extended depreciation, and things of that sort, but it was decided it was too complex a message to get out in the end, and others opposed it. I think that you often get in a situation where it's very hard to get past the one-liner to make a compound argument. Good to get the deficit down in the long run but we need a tax cut in the short run. It was too complex for some people.

**Riley:** Were you also asked to weigh in with kind of commentary on what was cropping up by the opposition? Especially in the general election campaign? Did they ask you to look at Clinton's proposals?

**Boskin:** Sure sometimes, work through all the demagoguery, sure. We did a variety of that. I would make sure that we would do stuff, like we would leave the building and go over to the campaign. We tried to be very careful not to even give the hint that we were doing anything that was improper. So we did some of that. We're not the only people doing it, but certainly I did some of it. I would say I felt I had a larger role in the '88 campaign than in the '92 campaign.

**Riley:** And in your retrospective view do you think there was anything that could have been done differently that might have turned the tide in '92? Was it a foregone conclusion that that was going to be a lost election? Or were there—

**Boskin:** No, I think that there were lots of issues and people have different views about this, of which I've heard every friend and acquaintance and business associate tell me what they thought. There are those who thought it was the convention and the stern anti-abortion message of the convention that turned a large number of women off. Perhaps that's partially correct, I don't know. You always hear these numbers that a Republican does slightly better with a strong anti-abortion stand than not. Whether that's correct or not, the pollsters have their views of what they think is right. They get paid to poll and they're the experts on that. I personally think a lot of times they're just measuring snapshots of things.

I'm not dissing any pollster or strategist in general. I think they tend to be surer of what they're saying than economists and yet they know a lot less than economists know about the economy, and what they're predicting is sometimes as hard to predict as the economy, in my opinion. However, and I say that about people around the last few Presidents and the many multiples of that of candidates who have tried to get elected—they thought they knew what they were doing.

While I'd personally like to see dramatically fewer abortions and I don't like late-term abortions, in the end I'm pro-choice, with restrictions such as parental notification. So perhaps I am projecting my own views, but I don't know too many people defending the convention. I don't know if it had much impact at all. Obviously he didn't get a big boost from the convention.

The three things I think that were very, very tough, in all this, much more important than the convention, were his breaking the "no new taxes" pledge and perceived as not having done enough to fight for it. I see that all as one thing. If he had been perceived as fighting tooth-and-nail and in the end there was a minor tax increase—again, whether that was feasible or not, but that wasn't how it was perceived. It was perceived as, "He broke the pledge." And that split the party, led to Pat Buchanan doing pretty well in New Hampshire. So that was number one.

Just as important and in my view, not widely enough appreciated, was his not engaging on the economy right after the Gulf War. Some people say it's the lack of domestic agenda, but I think he was sort of silent on the economy, kind of treated it like an oil spill a little bit. I think that it was hard to figure out exactly what to say and do because the media's definition of doing something was spending a vast amount of money on new programs. We had a lot of good ideas

and we had a lot of good things to say, but I think he could have talked through how it is going to heal in various ways, etc.

**Riley:** And you were pressing the President at that time.

**Boskin:** I made my opinion known that it was not a good idea to be looking disengaged and/or optimistic, overstating the current situation. It's one thing to be optimistic about the future, we'll get there. That's both economically correct and politically correct in my opinion, but I thought that there were people who wanted him to talk up the state of the economy in the short term, and I thought that was crazy. As I mentioned, at one time I said I was resigning unless this was toned down, this is just crazy. People would say, "Well you're just trying to protect your academic career." I was trying to protect the President because I thought it just sounded ridiculous. Even someone with a tin ear could realize it did sound ridiculous.

**Riley:** The oppositional pressure he's getting then is from the polling and political people or—

**Boskin:** What do you mean by oppositional? There are people who thought he should talk up the economy—

**Riley:** Talk up the economy then, and I guess—

**Boskin:** There were people inside the White House who thought he ought to talk up the economy. I don't want to name names—

**Riley:** I'm not asking that.

**Boskin:** There's been stuff written on this and some of it inaccurate, but I just don't think it's right for me to be other than sort of generically responding to things that are in the public domain, not talking about my colleagues.

**Riley:** I understand and respect that. My question was whether, without naming names, whether they were basing that on polling evidence that they were seeing or this general sense that it's not a good idea for the President to be talking down the economy based on something—

**Boskin:** No, it's not the idea of talking down the economy. I was just saying be realistic about what is actually going on. If you get very far from realistic, people are going to know that's nonsense. It's going to sound ridiculous. There are people who had the view that the President could talk up the economy.

I think being confident about the future, optimistic about the future, while admitting, "We have our problems now and we're getting through them, but the answer isn't the Democrats' big government proposals," would have been sensible. We could have done a lot better. I think he lost a lot of voters then.

My own opinion, a guy who is just an economist, not a pollster, not a public relations guy, not a political consultant: I think it's much harder to get people back once they've left you than to get

them the first time. And I think a lot of people moved away from him in that period. Some of whom would have moved away from him anyway because the economy was soft.

So I'm not saying it's all what he said, don't get me wrong, I'm saying a little bit the opposite, but having engaged more frequently and more forcefully and more realistically, would have helped some. I don't know if it would have saved the election because the basic problem was the economy. We had a recession. The economy was in a weak recovery in '91. If the recession was six months earlier or the election six months later, he probably would have been reelected in my opinion, because it was improving rapidly in '92.

The third thing, I think, that was a serious problem was Ross Perot. It was very complex how to run a three-way race. If it was just a two-way race, he might have been able to salvage it, but it was much more complicated and the geography was much more complicated. How you put together the electoral votes to win in that kind of a situation? It gave a lot of people, even though people say the exit polls say that he took away from both equally, my own opinion is that that is inaccurate. Maybe that's what the exit polls show. My own opinion is that it gave people who were upset with Bush but couldn't vote for Clinton a convenient place to go.

**Riley:** That understates the effect that he had on the dynamic of the campaign, which is what you're saying, you're trying to run a campaign—

**Boskin:** Yes, I think it would have been easier to figure out how to run against Clinton than to run against Clinton and Perot, and be in debates with Clinton and Perot. Binary things are easier, Is there a word like "trinary"? There must be.

**Weatherford:** Was that especially the case, on the economy? One associates Perot with the attack on NAFTA and the deficit.

**Boskin:** The deficit especially.

**Weatherford:** And the deficit.

**Boskin:** Partly. I think people were disaffected for many reasons. Republicans were in power for 12 years. There is always some pressure for turnover after one party has been in office a long time. The recession. We might now call it the beginnings of the antiglobalization movement. Lots of different things that people were upset about. We didn't pick up our hood and fix the engine instantaneously as Perot used to say. Perot did a service by pointing—he had some charts in there that were not quite right, but he focused on the deficit and it was worthwhile mentioning that we were living beyond our means to some limited extent in that regard.

I had a very funny situation develop because on "Meet the Press" he announced that you could solve Social Security by doing this. It turns out that in 1983, give or take a year, I was asked to go down and brief Ross Perot, whom I had never met, on a variety of policy issues by a prominent Stanford alum who was his number two at EDS [Electronic Data Systems], Mort Meyerson. So I quickly made the calculation and tripled my consulting fee and said, "Fine."

Anyway, I flew to Dallas, went down there and spent a day with Ross Perot, where he did almost all the talking. But in any event, among the things we talked about was Social Security. In the “Meet the Press” interview he basically confused a present value of a future stream with an annual flow, so he greatly exaggerated the number. It was the present value of the next 75 years, not every year, okay?

Tim Russert was kind of stunned by this and said, “Well, who told you that?” “Well, probably the nation’s leading economist,” Perot said. “Who is that?” Perot didn’t want to say on the air but he told him afterwards it was me. So I started getting all these phone calls thinking I’ve done some dirty trick to destabilize the Perot campaign. It was so Washington. I said no, he’s just confused. This was ten years ago and he has confused present value with annual flow and I have nothing more to say about that. They wanted to get me to make some catty remark about him or something like that.

**Riley:** Well he certainly wasn’t beyond making catty remarks about—

**Boskin:** No, he made a lot of catty remarks about Bush and apparently there was some—he felt some very bad blood toward Bush. He claimed Bush didn’t do what he wanted to about the MIAs [Missing in Action] in Vietnam. Bush allegedly took the request and vetted it in the government and felt it was overdone or overblown. But Perot is not an easy guy to tell he’s wrong.

**Riley:** Right. Well, we always like to close by asking if there are things that the historians are likely to miss, are there things that have been missed thus far that you feel are important for people to understand about this administration, about this President. We’ve spent a lot of time talking about the ins and outs of the CEA and the department but not so much about Bush himself and this is—

**Boskin:** From my perspective he often was very much interested in what in the long run would be beneficial for the economy for the country, and was willing to take some short-run risks or hits for it. He wound up for whatever reasons agreeing to a politically extremely unpopular, especially in the party, budget deal—to some extent in the country, but especially in the party. That sort of colored a lot of things about him as viewed by conservatives, and colored the political dynamics as we went forward, including Buchanan’s running against him and giving Buchanan a prominent role at the convention.

But in my interaction with him he usually would ask, “Well, what should we be doing and why? What are the ramifications of this? He was asking what was good for the country and I think he was a patriot in the best sense of the term and someone who did a much better job than some give him credit for. I think history will bear that out over the longer term.

There was a lot of controversy about the end, but the way he did the Gulf War, the way he dealt with German reunification, the collapse of the Soviet Union. Many things he did on the economy, however imperfect. We cleaned up the S & Ls, we could be in a situation like the Japanese—a decade-long stagnation—if we’d let that get worse. Third world debt. Started to get some control over non-defense spending. What isn’t appreciated is how much of the budget

agreement was Bush protecting defense, which is kind of ironic given we now agree that we have a major rebuilding job to do in the military. I think that didn't get enough attention. He wanted to protect the defense budget for another couple of years while he did what he had to do diplomatically and geopolitically.

I think also that there are some strong personalities in the administration. Some liked to promote or revile others, and probably everybody in every administration deserves some credit and some opprobrium, but in the end I think he was comfortable with the job he did. He was very upset he lost, obviously.

I think he had things he wanted to do for the country that he wasn't able to in a second term, but he is somebody who dispatched the job with honor and patriotism and a considerable amount of good judgment. As I said, there were obviously decisions I didn't fully agree with, some I totally disagreed with, but on balance I think he did a very good job. He's sometimes accused of separating politics and governing, and he got elected and he sort of did what he thought was right without paying enough attention to the political ramifications. I don't know if that's an accurate representation or not, but it's something that's out there that people have commented on. I think on balance he was a heck of a President.

As I said, how many terms you have and whether you win or lose—the politics and the horse race aspect of it—tends to be a lot of what is written about. Obviously having lost the second time, the glory of the first win was diminished by the loss the second time. When you get into an evaluation and comparison about whether he was around during good times as Clinton was, rather than having the misfortune of being there in difficult economic times, I think he did a lot of good for the country. In fact, some of the credit for the 1990s expansion traces to decisions and policies of President George H. W. Bush and, by the way, also President Reagan, as well as some—certainly not all—of President Clinton's policy, and especially also Fed policy. Of course, economic policy helps define the economic environment that private firms, workers, entrepreneurs, and investors, who are the truly main story of economic progress, operate in. But policy does matter, from the rule of law and private property protection to tax regimes and regulation, etc. That's one reason why we have done so well compared to Western Europe, with its much higher taxes, far more generous welfare, more onerous regulation, all of which stifle incentives for growth.

**Riley:** That's historically important. The purpose of the project is to make sure that people 50 or 100 years from now have a sense not just of the horse race, but more importantly what was going on, and you've been very generous.