GEORGE H. W. BUSH ORAL HISTORY PROJECT

FINAL EDITED TRANSCRIPT

INTERVIEW WITH THOMAS SCULLY

September 2–3, 1999
Charlottesville, Virginia

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Young: We're here to try to think about what people in the future after George Bush and his administration has long passed into history—the important things about this Presidency that they should understand and would not be able to learn by looking only at press accounts. What you're leafing through there, Tom—

Scully: You've done a pretty good job with the press accounts.

Young: Well, it's a sifting, just some of the things the public was told in print. It's not necessarily what we believe. Some of them are meant to be provocative of questions and provocative of some comments. All the people in the room have shared the transcript of your forum talk here. David and I, and I think Tarek, you were all at that talk.

Masoud: I wasn't here yet.

Young: You weren't on board yet. I think that was a very good star; we try to do our homework.

Scully: I'd be afraid to read this rambling.

Young: You have a copy somewhere.

Scully: I know I do. You sent me a tape. I've just been busy and haven't found it.

Young: Tom expressed a desire just to get started right off with some questions, and the logical place to start is how you got into the administration, what it was like to get started in it, how things worked, what it was you were really doing. We know from your remarks at the forum that your first connection was presumably through Marvin Bush here, and then we begin to pick up things in your bio. You were involved in the campaign. You were certainly involved as the communications person, and then the next thing we hear, you're on the transition team, then you're in the OMB [Office of Management and Budget] with [Richard] Darman, and we go on from there. If we could find out a little bit more about your career. What took you into policy? Subsequently, whatever got you into health care policy?

Scully: Well, that's a difficult one. Cut me off after ten minutes.

Young: OK.

Scully: I was at UVA [University of Virginia] and Marvin Bush was a good friend of mine. I remember at 2: 00 in the morning walking through the street and Marvin was telling me his father was going to run for President, and I said, "Sure, right. My father's going to run, too." I barely knew who George Bush was. I knew he'd been CIA [Central Intelligence Administration] Director. Anyway, I went to Washington.

I was always interested in politics. I had worked in Philadelphia. I grew up in politics a little bit. In my fourth year at Virginia, I was hired to work for Senator John Heinz. I was fired before I started because his legislative director, who hired me, was fired. It turns out that's a common thing with Heinz, who has now passed away. So I got up there and didn't have a job. I was working in a restaurant in Old Town and I didn't have anything better to do in the day, so I wandered in and volunteered in the Bush campaign because Marvin was a friend of mine. I got to know a lot of the people in the campaign then. That was the summer of '79.

After a while, I was too broke to continue so I got a job at the Federal Election Commission and I worked there for a about a year, which prevented me from working on the '80 campaign, unfortunately. So I didn't do any more work for Bush. Right after the '80 election I went to work for Senator [Slade] Gorton from Washington State. I worked for him for five years and he put me through night law school. Night law school prevented me from working on the '84 campaign, but I'd always kept up with the Bush people. I'd been friends with many of the people who worked on the Vice President's staff.

I guess starting '86 I was a lawyer at Akin, Gump, a law firm in Washington, and I started doing a little campaign finance work on the side, volunteering for the campaign. I expressed an interest in getting involved, and when it got around to the beginning of '88, a lot of my friends started working on the campaign. I basically volunteered to take a leave of absence from Akin, Gump, first about half time in the spring of '88, then full time probably from March of '88 through the end of the year, with the intention of coming back. I never really went back. I wasn't doing policy work. I was a press person, primarily. I was the communications director for the convention and I worked on the campaign through that. They were kind of tied together.

After the convention ended, I put together the TV satellite uplink program for the campaign, which at that point was kind of new. Not many people had done that, so I think back then President Bush thought I was a TV guy. I don't think he even knew I worked for him. Every time he'd see me I was there with a cameraman and telephones and he probably barely knew who I was. But after we won—completely accidentally—David Demarest, to whom I think you'll probably talk—Dave was my boss. He was the communications director in the campaign. He said, "We'd like you to come over and work on the transition team in communications and probably work in the White House." I said, "I'm really a lawyer and a lobbyist. This has been fun, but this was a hobby and I really don't feel like doing that. I'm going to go back to Akin, Gump and be a lawyer."

Maybe two days after that, Janet Mullins, who was the head of the transition team for the legislative and political side, somehow had been talking to David, and she needed a deputy. So

before I actually left the transition to go back to the law firm, she came and said, "Would you be my deputy on the transition team?" So she and I and were the legislative team on the transition team.

I guess we split the Cabinet in half, and I had John Tower and [James, III] Baker and Darman and [Nicholas] Brady and [Louis] Sullivan. So I had half of the Cabinet appointees that I had to at least get started before the inauguration on their confirmation processes, which was interesting in itself, because I had Sam Skinner. I spent a lot of time with Skinner for probably two months. Most of these guys had some kind of political team of people they were affiliated with, but the guy that I was randomly assigned who had virtually nobody helping him out was Darman. Darman was kind of a lone wolf and didn't really have a lot of political allies or young staffers running around. I basically set up all Darman's appointments, took him around to most of the Senate appointments to get him confirmed, and got him started.

I did the same thing with Skinner and I did a fair amount with Tower and few others. But the guys that I became closest to during that process were Skinner and Darman. Brady, for a variety of reasons, was closer to John. Brady offered me a job to run his Congressional affairs. Darman offered me a job to run his Congressional affairs, and Skinner offered me a job to be the Assistant Secretary, so I could have been Assistant Secretary of Treasury or Transportation or OMB, and Darman had a reputation of being—since this is all background—a real pain in the ass that nobody could get along with, and he was when I worked with him. But everybody else also said, "He's brilliant and you'll be in the middle of everything—the OMB is part of the White House and you'll be more in the mix." I checked around and Darman was not a particularly well-liked guy, but he was clearly effective and he was clearly going to be very engaged in everything, so I decided to go work for Darman.

I worked for Darman from the beginning. It was totally by choice, but I just thought that was the best place to be. I did the legislative affairs job for probably, I don't know—maybe eight, nine, or ten months, and there was a person who was a [Ronald] Reagan holdover who was in the job as the associate—There were only four associate directors; three of them were for policy. I did the lobbying legislative affairs, but it became clear pretty quickly that the better of the associate directors doing the policy did their own lobby. But Bob Grady was a good friend of mine, so the lobbying job was fun. But you really want to have your own little package of substantive things to do. You're better off with one of the three policy jobs. One of the Reagan holdovers—I won't get into who it was, who I happened to like a lot—was not particularly effective, and Darman kind of gently eased her on after a while. When that happened, I went in to him and said I had had a couple of job offers in the White House.

I don't know who else you'll talk to, but Roger Porter had a deputy named Bill Roper. Bill left after about a year. Roger called me up and asked me—I'm getting ahead of myself. So Roger called and said, "Would you come over and be the Deputy to the Domestic Policy Advisor?" And I said, "Well, let me think about it." I made the mistake of going to Darman and saying, "What if I went to be Roger's deputy?" They were very intensely competitive. They used to teach together at Harvard and the bottom line is Darman essentially tried to stomp on Roger on a regular basis, so Darman said, "You can go be Roger's deputy if you want but I'll kill you." And basically it worked. He said, "You're not going to do that. You'll never—I'll cut you off at the

knees. You'll never get anything done. I don't need anybody strengthening Roger and making him more effective."

So I said, "Fine, I want to do more policy work." He said, "All right, we'll do more policy work. The other person is leaving. If you want to stay here you can become the associate director and have all the Health and Human Services, the Department of Labor, Education, and VA [Veterans Affairs]. You want to go do that, fine." And the reality was—since this is off the record—within the White House, Roger Porter is a wonderful guy, was a very good academic, was totally impotent, and had no power, and Darman had a ton. So it was abundantly apparent that even though I liked Roger, and my view of going to Darman was naïve, I thought Darman would go for the position that, *Roger's not particularly effective. He's great guy, he's an academic, but he doesn't understand politics, very well, I'll go be his deputy and we'll all be much more effective.*

Darman was a very turf conscious guy. Darman's attitude was, "The last thing I need is to have the now totally impotent Domestic Policy Advisor become more effective. If you go do that, I'll shoot you." So Darman said, "Stay here. I'll give you more policy work to do and you can become the associate director for that." So that's what I did. And one of the things of getting in the Bush administration, one of the problems—and I liked Darman, he's a brilliant guy, we can talk about that—is that Darman was a power monster and cut off a lot of the people. Instead of looking at how you can make the administration more effective, he spent an awful lot of time trying to neutralize and kill, neuter, other people so that he could run everything, and in fact, he did run everything.

For the first three years, Darman and [John] Sununu ran everything. The domestic policy shop in the White House was completely useless. They had zero impact on anything, which is unfortunate because Roger is a terrific guy, very smart guy, but he's an academic. And Darman is a political guy with very sharp elbows, very tough. Darman didn't care much about education, so he kind of said, "Here Roger, you go do education and I'll do everything else." That's roughly how it worked.

Young: Darman was almost an old-hand sort of lobbyist.

Scully: Yes, Darman was Baker's deputy in the Reagan White House.

Young: Roger Porter hadn't had all that kind of —

Scully: Roger worked for [Gerald] Ford. I liked Roger a lot; if you asked who you wanted to go out to dinner with, Roger Porter is a lot nicer guy than Dick Darman, but he's nowhere near as smart or as crafty or as aggressive. You could say the same thing about Sam Skinner and John Sununu. Sununu and Darman were very tight, and I really worked for both of them. Roger and Sam Skinner were similar; they're both really nice guys who would sit around and have six-hour meetings about policy that could have been done in 20 minutes. They just weren't very good at just cutting to the chase and getting things done.

That's how I got involved with Darman and that's how I got involved getting from the lobbying side to the policy side. I'd been a telecommunications lawyer when I was at Akin, Gump and

knew nothing about health care. When I went over to work for Darman in health care I had a staff of about a hundred and they were smart and I just learned it.

Young: And then to complete the story, you also mentioned that the last year and a half you were working personally with Bush on the health care package. Did I understand that correctly?

Scully: Yes. I was the Associate Director of OMB for three years and then last six, eight, months—I can't remember exactly—it might've been March of '92, but essentially you couldn't work on the campaign if you were at OMB because you were "Hatched" out under the Hatch Act. And also they wanted me more involved in the campaign, so I had two jobs. I became the councilor to the Director of OMB and then also was the Deputy Domestic Policy Advisor, so I was—the fact is, it didn't make any difference. I did the same job. I had to take a pay cut, but the same job. But we started writing a health care plan. Darman was very interested in health care and really knew a lot about health care, so Darman had me start working on a health care plan probably in the summer, right after the budget deal in '90.

In November of '90, soon as we finished the budget deal, he said, "The next big issue is going to be health care for me. You've got to write a health care plan." So I spent a lot of time working with my staff coming up with health care plans for probably a year, and I'd say we probably had the basics of what eventually became the Bush plan, which was released—I've got a copy here I'm sure—on February 6th of '92. It was probably pretty much done by the summer of '91, maybe earlier than that. Probably by the spring of '91 because the budget deal ended in November of '90, I guess, or October of '90, I would think, and I'd say we pretty much had the Bush health thing done by May completely done, drafted and everything else, and Sununu's attitude—Sununu and Darman are very close. I mean, one of them Chief of Staff, and one of them head of OMB, but they were totally intertwined, spent all their time together. I worked for both of them and they were completely dominant in every aspect of policy.

Young: In policy development as well as on the congressional side?

Scully: Yes. Darman did a little more time on the Hill, but Darman and Sununu were inseparable.

Young: Tell us how that came about.

Scully: They're very much like. They're both very smart.

Young: Often two people who are very much like don't get along very well if one of them is—

Scully: Big egos and tough.

Young: So things worked out early on, or did it work out over time?

Scully: It worked out almost from the beginning, and I don't think they knew each other before because I knew Sununu during the campaign and I didn't think Darman and Sununu knew each other very well. Darman realized right off the bat Sununu was going to be running the show, and

Sununu, I think, realized right off the bat that Darman knew more about the Hill and more about how to get things done and more about policy than anybody around. So Sununu immediately latched onto Darman and also the reality is OMB has lots of policy clout—The White House is a pretty limited staff and not a whole lot of substantive capability. If you look at the domestic policy office, it's usually four or five people and they're usually generalists. OMB has 450 and they're career civil servants, but there's just a huge, if it's used right, a giant pot of substance, and the top five or six people at OMB are political appointees or part of the White House staff. Across the street is this building full of policy wonks that if used right are great.

So Darman had a lot of substance and lot of experience in how to get things done. Sununu looked to Darman as the best staff person in the White House, and Darman looked at Sununu as the power center because Darman from the very beginning of the administration kind of sucked all the air out of the room from everybody else. He was running the show. There was no question about it. Darman didn't mess around with Sununu. He was the boss and that was it from the first day. They got to be great friends and great allies and were very tight and from the very beginning.

I got to know Sununu really well because I worked on—part of the '90 budget bill was childcare. That was an issue Sununu was very engaged in and it was my issue. I spent a ton of time on it and he got involved in the negotiations down to every word, and by the end it was a big issue about how you did childcare vouchers and things. But they just took to each other right off the bat, to the point where you go to White House staff meetings and everybody else is scared to death of both of them. The two of them would banter back and forth and beat the hell out of everybody else and intimidate everybody else into submission, which I'm sure you'll hear from other people if you haven't heard it yet. If they don't tell you that, I'd be surprised.

Young: Well, you're the first.

Scully: I'd say that all the other guys I know on the library council—most of us were around the first day—asked me why was I on the library group. They said, "Well, Scully, you're on there because you're the guy we hated least at OMB." Because they all hated Darman and they hated Sununu too. And they were hateable guys in a lot of ways, but they were also tough and effective, and being lovable doesn't always make you successful.

Young: This is not the only time this happened in the White House. A person of my age can speak with some reminiscences, but in the Bush administration very little of this seemed to come out publicly in terms of the infighting, when you compare it, for example, to the Reagan White House. There was an awful lot of public—

Scully: There was a lot of infighting because Darman and Sununu squashed the—I mean, no one else had the base to even start the infighting. If they didn't like you, you were gone.

I think that the guys who have been around for a long time—I mean, President Bush is an unbelievably nice guy and everybody loves him. People were intensely loyal to him and they may have been mad or hated Darman or they may have been mad and disliked Sununu, but they just weren't likely to leak or dump on him. It was a loyalty thing, and most of the people who

worked for Bush loved him. Nobody leaked to the press. This was culturally not acceptable.

Let me make another point. We wrote the health care plan. We probably had a meeting with Sununu in the spring of '91, and his attitude was, "Health care is a Democratic issue. We're going to get crushed on it. It's a waste of time. We're way ahead in the polls. We shouldn't put it out there. We're playing into their hands and so we're not doing a health care plan. Forget it." That was about at the same time, if you remember, when he announced that we'd already done what we needed to do, we didn't need to do any more until the next elections, which is pretty dumb. So he sat on the thing through that whole period and we didn't do anything about it.

It wasn't until Harris Wofford won the '91 election against [Richard] Thornburgh that he came to me the next day and said, "What ever happened to that health care plan?" Well, I'd been sitting on it for months and so we spent two months polishing it up and running through the process. By the time we got it through the White House process and the President, because it had such an impact on everything else, we didn't get it out until February sixth. By that time it was attacked for being too little too late and because we were already on the downslide. But if you look at, in my humble opinion, now that health care is coming back, it was a radical plan and by today's standards, if you went out and showed it to a Democrat—and I've done this—they think it's radical. It wasn't as much as [William J.] Clinton's but it was a very big radical plan. But Sununu didn't want to do it and so we sat on it for a long time.

Young: How much interest in the beginning did Bush himself take in the Sununu-Darman area of responsibility? Would he sign off on this or not?

Scully: I don't think he knew really what was going on in that area. He's—

Young: So long as it was being managed?

Scully: Well, they were doing reasonably well. The administration was pretty successful most of the time, certainly early on. I mean, given the fact that Democrats had overwhelming majorities in the House and Senate against us, and Sununu—Bush is a very loyal guy and Sununu had a lot to do with Bush getting elected. That's why he was Chief of Staff. He was the very helpful Governor of New Hampshire. They were good friends for a long time and he liked Sununu and he also liked people—Sununu took control of things and got things done, and I'm sure to Bush, Sununu was a delightful, fun guy. I actually like Sununu a lot personally because for whatever reason he liked me and I got along with him, but for the people that he didn't particularly take to, he could be pretty brutal to watch. So I'm sure to President Bush he was a delightful, great guy.

And Darman can be very charming. If you sat in a room with the President and four people from the White House staff, in five minutes it was abundantly clear on 99 percent of the issues that Darman knew twice as much as anybody else in the room, so he was a very valuable resource to have. He was the smartest guy in the White House. He knew the most about how to get things done, and if you ended up briefing him on anything, he knew what the issues were, what the background was, what the history was, where all the people on the Hill were, how to get things done. So I'm sure to President Bush he was a terrific asset.

Shreve: Despite their personal attributes, did the President's decision to concentrate on foreign policy have any bearing on that as well?

Scully: I was a domestic policy guy, so my own view, I think one of the bigger flaws in Darman and Sununu—if they read this, they'll shoot me, they're both still friends of mine. I'm probably one of the few people you'll interview who says that. I think that President Bush took very little interest in domestic policy and I don't think it was because he wasn't interested. I think it's because their attitude was, "We've got a Democratic Congress. Domestic policy is a loser. You're good at foreign policy. It's your area of expertise. You go do it and we'll take the Democratic battles on the domestic policy." And the fact is, you can't really have surrogate Presidents.

I really think that they thought if they went on *Meet the Press* and took all the hits on domestic policy that they could do domestic policy stuff and leave the President free to do all the foreign policy stuff it would buffer him. I don't think President Bush thought of that consciously. I just think he got steered that way, and I think it was a problem as a result. Those guys were staff, not the President, and in the end, when it got down to the campaign in '92, for instance, President Bush had not gotten engaged in the details of the budget deal or the various domestic policy things, so he didn't know off the top of his head. He had not gone through the battles for three years. He'd largely avoided them. I mean, he was aware of it, but he was not steeped in it to the detail that maybe—he never would be steeped in the detail that Clinton is, but he was not really, really, really familiar with it.

I could give you a lot of examples of that. Some of them I brought in the things in the campaign, and some of them I tried to refer to my talk, but he was doing TV interviews late in '92 when he would talk about health care and he was starting from scratch. He knew the very basics. He knew education well because he'd spent a lot of time on education—the Charlottesville summit and all of the other stuff—but you know, education on a federal level is a great press issue, but there's not a whole lot of meat there. It's a really a state level—

Shreve: As far as control.

Scully: Yes. There's a lot of rhetoric to it, but it's not an issue that the federal government really has that much impact on.

Strong: How does someone in your position make some of the judgments you were just telling us about? How do you reach your conclusions that working as Roger Porter's assistant is going to mean you're not going to have much influence? Do you know that from seeing him in meetings with Darman? Do you know that from reading the policy papers that are circulating? How do you make that judgment? And even the earlier one—before things have even begun—

Scully: You mean, make a judgment about which professor—

Strong: I'm going to go with Skinner. I'm going to go with Darman. It's a little like that.

Scully: You ask the people around, but how do you know which professor, which of your

students are going to be good enough? You just sit around and watch them for a while and you know who's good and who's not. Roger's a wonderful guy and I like Roger, but the difference is I would go to meetings with Roger about education policy or anything Roger was involved in, and Roger would have 17 people from around the department, the government, come into his office and ruminate and it'd be like one of my law school classes, which is fine, but they'd never reach a conclusion. You'd waste a day and at the end you'd wander off and say, "What the hell were we all here for?"

Whereas if you went to a meeting with Darman, he'd say, "We need to do this issue and this is what we're going to do and you're going to go see this guy and you're going to see that guy." There was no screwing around and it wasn't any indecision and it just happened. It was just obvious. How you make the judgment that Secretary Brady is a nice guy, but probably wasn't as a good a Treasury Secretary as Secretary [Robert] Rubin. I don't think it's real hard to watch for a while and figure that out.

Strong: Well, you know in Washington, being smartest isn't always best. People would say about Ronald Reagan, "Well, he wasn't that smart." But there were characteristics of his makeup that compensated for that and maybe even more than compensated for it. Actually, if you have a President who's really smart, sees all sides of the issue, can't make up their mind, what-have-you—again, I'm really trying to press what is it about these people. OK, Darman's smart, both from experience and I presume from hard work.

Scully: Yes. He's a smart, hardworking guy.

Strong: So he does command a lot of that factual material and he has a personality that means he's gonna use that.

Scully: I'll give you an example. Talk to Bill Roper, who's on the library board. I think Bill would tell you—Bill, I think, was very good. Bill was only there for a year. Bill's a physician. My first major project at OMB was working with Bill to pass something called RBRVS [Reserve-Based Relative Value Scale], which you probably never heard of, but physician pay reform, which restructured the whole way Medicare was done. Bill was the policy guy and I was the lobbyist, but Bill knew, was smart enough to know—he was Roger's deputy. He knew Roger wasn't going to get it done. He knew it wasn't going to happen unless Darman got engaged.

Bill was a real quiet, effective guy, but he figured out early on if he went off and did it as a project with Roger, it wouldn't happen. If he went to Darman and said, "I need your help getting this done," Darman said, "Fine, use Scully and you'll go do it together." And it became Darman's project. So Bill was a very low-key guy, but he knew how to get the job done, and I think Bill would tell you privately, maybe not on tape, that the reason he left after a year was because he was frustrated as hell with Roger. He went and became the head of the CDC [Center for Disease Control]. He's the one who called me up and said, "I'm leaving. I think if you went to be Roger's deputy and took my place, you could really make Roger more effective because his biggest problem is he doesn't work the Hill very well." I was real interested in doing that, but not at the cost of death.

Young: Yes, especially when you had a Democratic Congress. You had to think in terms of results.

Scully: But some of them were good. I mean, [Daniel] Rostenkowski, despite his criminal problems, was a great guy, was very interested in getting things done, and was great at cutting deals. He was what legislators should be all about. He was easy to do stuff with. I was friends with a lot of the staff. He was a really good legislator. So it was just because I think things were less partisan than they are now, and it wasn't that hard to get things done if you approached it right. You couldn't wait until two months before an election.

Young: You mentioned in your forum talk some of the accomplishments in the first year. Not necessarily things you'd planned, but things that came off OK, and they were all bipartisan. The savings and loan bailout and other things like that. And it strikes me just maybe from the outside, Bush himself, with some exceptions, perhaps on savings and loan, where he had a personal ax to grind against some of the things that were said. His papers show he took real exception to that.

Scully: Oh, yes. I know he did.

Young: But he wasn't up front on these issues. It's not as though the President came to him and said this is what—these are issues that he's going to be very up front up and take the lead on. Isn't that correct?

Scully: Yes, he was pretty engaged in that. We can get into the press later on, but President Bush doesn't like to draw attention to himself and it was a problem because he was very bad at selling himself, promoting himself, and doing the PR [public relations] side. I think he was engaged in a lot of things. He was very engaged in the S&L [savings and loan] stuff.

Young: Yes, but I meant publicly.

Shreve: As if to announce the first 100 days kind of a thing?

Young: Yes. I'm not saying he wasn't engaged. I'm saying he wasn't in the public mind associated with these achievements.

Scully: Well, I think he's from an old school of thought, which is unfortunate for him, because it probably helped him lose. He was not big on taking credit for things. His attitude was, *If I do a good job, people will appreciate it.* We saw that in the S&L, and somebody on the *Today Show* says, "How did you get it done?" He says, "Well, we did a good job, but it was really Danny Rostenkowski and the bipartisan efforts that got this done." That's just the kind of guy he was. His view was there's plenty of credit to go around. He was not big at holding press conferences and declaring victory, which in hindsight, he probably should have done a lot more of. But it's part of the power of the Presidency, which he probably didn't use as effectively as he could have.

It makes him an incredibly endearing guy. You'll find guys like Sonny [Gillespie] Montgomery, probably his best friend in Congress, was a Democrat, and Rostenkowski, and they'll say, "I love working with him." And if you look at the Bush administration uniquely now from probably the

first day up until I'd say almost the fall of '92, we had very little problem with Democrats. It was almost a frighteningly love fest situation. He had a very good relationship, even though we were in the minority. A lot of them liked him.

It really wasn't until George Mitchell, who I like personally—nobody wanted to run against him—went after Bush. Leading Democrats all said they weren't going to run against him until like the fall of '92, where Mitchell almost personally took it on and said somebody's got to beat the hell out of this guy, and went out and started doing it day after day after day. But things weren't really very partisan until probably September of '91, in which case I would say very consciously Mitchell—and I respect him for doing it, he was just doing what he should do for his party—kind of started rallying the troops to go find a way to win the election. But at the time, I think George Mitchell had more to do with beating President Bush than anybody.

Young: One of the things that will stand out I'm sure, because it has in past Presidents, is how a President—Republican in this case—deals with an opposition Congress and how things get effectively done. Because there are a lot of people who see nothing but the conflict, even when it doesn't exist, the controversy the press loves to make, so that you get an idea from some people that you've got nothing but deadlock or stalemate. I was trying to point out that the early Bush administration is not that story at all.

Scully: No. In fact I had problems—

Young: There was, in fact, a lot of bipartisan work that it almost had to be, and you had key players on—

Scully: And Republicans were irrelevant. So, in fact, I had problems and still do, because there are still some Republicans who are mad at me because when they were in minority, I spent too much time dealing with Democrats. But you know, Jay Rockefeller, with whom I worked a lot, is still a good friend of mine. Bob Kerrey, and that was all from the early Bush days. Because if you look at trying to get legislation passed, unless you want to just have a press conference, you have to talk to Democrats. You could go up and talk to Bill Archer all you want, but he wasn't going to pass anything. You had to go to Rostenkowski and [Daniel Patrick] Moynihan and other people up there. And Senator [Robert] Byrd is a quirky guy. He was great to work with. We cut a zillion deals with him on all kinds of stuff, but he was not very partisan at all, very bottom line oriented. He was the majority leader and then became Chairman of the Appropriations Committee; he was a very powerful guy at both roles.

Young: What problems does this create with the Republicans?

Scully: A lot.

Young: Can you talk about what kinds of problems they were and whether it affected Bush's position in the party?

Scully: They didn't affect Bush. They affected Darman and Sununu. A lot of people would get mad at Darman and Sununu for going up and cutting deals with Democrats. The '90 budget deal

was largely—everybody talks about Andrews Air Force Base; we really didn't do much at Andrews Air Force Base except eat a lot of steak and drink a lot of beer. There was a long process during the '90 budget deal, but it was largely Darman and Leon Panetta and Mitchell and Tom Foley

Young: Byrd?

Scully: Yes, Byrd got involved because of the appropriations caps, and he got involved more at the end. Basically the deal at the end was buying off Byrd by throwing these $10 billions of—none of these guys understood what the hell was going on. None of them understood the budget deals. I mean I didn't understand what Darman was doing at the time, but there was a long, long negotiation. It was largely Darman and Panetta, [Jim] Sasser, who's a very nice guy. A perfect example is Sasser, a nice guy who didn't know the details. It used to drive Darman crazy. Panetta was a really good guy. He was very smart and very substantive. So 90 percent of the deal all along was between Darman and Panetta with other people coming in and getting involved in it, at least on the substance.

But then Republicans go crazy, and if you remember, one of the biggest problems we had is we had this bipartisan deal cut and we thought we had the votes to go through. At the very last minute the first time around, [Newt] Gingrich came out and opposed it and blew it all up. We had to go back to the drawing board and start it all over from scratch. Took another three months to get the second deal through and that was part of the problem.

Nobody will ever remember this, but Gingrich blew it up because at the time it looked politically good for him to blow it up. Newt's a very good friend of mine, so I don't mean to dump on him, but he blew it up. If you look at the second deal, we went back and ended up cutting about $40 billion less and adding in about $30 billion more taxes, so he nuked the first deal and then a month later he couldn't get that back and we ended up with a much worse deal. Nobody ever writes about that or remembers that.

Shreve: Were there elements in that deal—?

Scully: Part of that frustration—I was sitting there with Gingrich and I really got to know him spending two weeks at Andrews Air Force Base with him during the budget summit. He was frustrated. It drove him crazy that Darman and Sununu, to some degree, would go cut all these deals with Democrats and then come by and say to the Republicans, "Oh, by the way, here's the deal." Well, I mean, there's no other way to do it, but it still drove them nuts, and there were a lot of examples of that on all kinds of issues where they were frustrated. But when you get 165 Republicans in the House and 42 in the Senate, what are your choices? You don't have a whole lot of choices. If you want to get anything done, you've got to deal with Democrats, but it's still a source of frustration. And even seven years later I have conservative Republicans I deal with who still get mad at me because I wandered around and spent too much time cutting deals with Rostenkowski and Jay Rockefeller like that.

Shreve: Were there elements in the 1990 deal that Darman went into the 13-day sessions at the air force base thinking, *This is something I want and at the end, and I won't compromise on this*?

Scully: The whole deal was Darman's right from the beginning. I don't think I really understood it, and I still think the 1990 budget deal was a brilliant move on his part, whether you like him or you don't. But he gets blamed for raising taxes, screwing up, and he didn't get enough of the people involved who understood it. It was very Machiavellian and lots of blame for it.

The bottom line is the reason we have a budget surplus today is the budget caps and the pay-as-you-go entitlement rules. Those things didn't exist before 1990 and nobody knew what the hell they were talking about. Darman's whole deal was, "The government's out of control. Congress is going to be Democratic for a long time most likely, and we need to rein these guys in." And his whole thought was, *We'll throw $10 billion in appropriations out in the short term, and in the long term we'll get these budget caps and lock them in*. Henry Waxman had spent the whole decade of the '80s pumping up Medicare and Medicaid and not paying for it and blowing the doors off the budget, and Waxman's view was if you want to go expand Medicare (before 1990), you just did it, don't worry about the cost. Or Medicaid, you just passed a law you didn't have to pay for. And Darman's view was that if they're going to expand this benefit in Medicaid, they're going to have to offset it someplace else.

That whole idea of pay-as-you-go and the entitlement programs was if you want to spend more on Medicare, you've got to raise taxes or cut other spending to pay for it. Or having budget caps. Everybody takes it for granted now. That didn't exist before 1990 and Darman was very into the budget pools. His view was, "If we've got to buy off the Democrats in the short run with a little bit of cash to assure in the long term to fix the budget, that is even faster," and he did it.

The mistake he made was he's a lot more moderate than a lot of Republicans, and his view was, "People will scream for a while, but we're at 75 percent in the polls. Reagan raised taxes too, and everybody bitched about it for a while but they forgot about it." I think his view generally was President Bush would raise taxes. It was a smaller tax increase than Reagan's was. People would bitch and moan but they'd get over. It was the right thing to do, and five years from now the budget's balanced. It would be good policy and there was no other way to do it. The Democrats weren't going to do it.

Mitchell's number one deal—it turned out that Mitchell was smarter than Darman. Mitchell's view was, "I'm going to get them to raise taxes so we can beat the crap out of them for the next few years." All Mitchell wanted to do was get a public acknowledgment that we need to raise taxes, and he got it, and that's what turned the election. Darman's view was, and this was in 1990, long before the Persian Gulf War and other things in between, Darman's view was in 1990, "We've got all this political popularity in the polls, let's do the right thing, do this deal structure. We'll recover. We'll be all right and we'll get reelected. People will forget about it."

In the intervening time, don't forget, after 1990 the Persian Gulf War happened, Bush was a hero. We were all doing great. It wasn't until later when he started getting beaten up for the "read my lips" stuff by people, mainly by Pat Buchanan. In my opinion, that was the biggest mistake he made. It's one thing to raise taxes. The answer should be I did it because it was the principled thing to do at the time. You don't apologize for it and say you made a mistake. That's what killed us, I think.

Masoud: Were there doubting Thomases in the administration that when Darman was saying, "Listen, people will forget about it"?

Scully: Darman didn't say, "Forget about it." He had four associates and he was closest to Bob Grady and me, and so we probably talked the most. That's where he was coming from privately. Publicly he was saying, "Look, the government's out of control. We've got a $300 billion deficits. The Democrats are going to spend, spend, spend. We need to get some budget stuff, and the only way the Democrats are going to get any kind of control of the budget is we can cut—"

I think the whole deal was $300 billion over five years, but it was basically a third defense cuts, a third Medicare and entitlement cuts, which was all my stuff, and a third tax increases. That was the deal. A third, a third, a third. If we cut defense a third, we cut domestic entitlement spending by a third, and we raise taxes a third, and that was the deal from the beginning. His argument was, "We're never going to get the Democrats to do it. It's the only choice. It's the right thing to do." And it was the right thing to do, and the issue was Republicans were in a position because of the Peggy Noonan speech, "read my lips." We were in a bad position; the Democrats are going to make us eat it and they did.

Darman's view was, "So we'll eat it, but still it's the right thing to do. People will forget about it. We'll be fine." If you went from October of 1990 to October or November of 1991, none of this stuff even came up. We were doing great. The Persian Gulf War, nobody thought about it, and nobody said, "read my lips" and that stuff until Pat Buchanan started beating Bush up with it and Mitchell started taking shots at it and the bottom started to fall out. The other stuff came back and then President Bush said, "I made a mistake. I never should have raised taxes."

Masoud: So there was no real sense in the White House that this could really come back to haunt us at the time the decision was made?

Scully: There was some—sure. Of course, there was. I mean, we didn't sign off on the tax increase lightly. This is saying, "Look, this is the right thing to do at the time. George Bush is taking the leadership. Democrats control Congress. We hate tax increases more than anybody, but that's what these bastards are going to make us do."

Young: I'd like to get at that in a different way and I think clearly the budget deal was from a policy and a political point of view, an important event, but the question in my mind is how was the President laying down guidance, if he was, during the extended negotiations that finally came through?

Scully: During that time I was not in those meetings with them. I was in all the budget negotiations on the Hill, I think all of them, just about, except for a very few that were just Mitchell and Darman and Foley. President Bush was involved, but it was almost always just Darman and Sununu and Bush sitting around talking about what they should do, and then Darman spent a lot of time with him, so I assume he explained everything.

Young: So the understandings were reached about what you could negotiate with the President

by the people who were negotiating.

Scully: Oh, yes. You've got to have some idea. I think there was no question the President was extremely involved with that decision, but I think President Bush's view was we had a $300 billion deficit and we had to close the hole and there wasn't an option—the option was the Democrats want to raise taxes and we want to cut spending. Somewhere you've got to compromise. You can say forget it, but the right thing to do is to work out a deal and we didn't have the leverage to do anything else. So the only option was blow it up, have a press conference and say we're never ever, ever, ever, ever raising taxes and we don't really care about the deficit, and let things go merrily along.

I think the view was that this approach was irresponsible. There are certainly people in the White House that didn't like it and were not happy about it, but there was nobody in the White House who had a significant power base to do much about it outside of Darman and Sununu, I don't think. There were some other guys running around, like Jim Pinkerton, about whom I don't remember having strong feelings, who were a lot more conservative, but that period of time they just didn't have the ability to really change the policy. It was really 95 percent Sununu and Darman, with President Bush, obviously, and Baker who probably could've changed anything. Baker, from the beginning of the administration, I think, pretty much said, "Look, I've done this before. I want to do foreign policy. I'm the Secretary of State, leave me alone." He got dragged back in as Chief of Staff.

Masoud: Where's Porter on this? Was he not an important element?

Scully: He's not really involved in any real way. Roger was a wonderful guy. Darman loved having Roger as Domestic Policy Advisor because he was a nonfactor.

Strong: So there's no one making an argument that a reelection strategy is hold to the "read my lips" and just let the deficit run wild and maybe make the Democrats suffer for—

Scully: There may have been, but nobody that I was aware of, and I think [Lee] Atwater was still alive at that point and he was not making that—He was more moderate too. Again, his personality too, from a political point of view, he was a fairly practical guy.

Strong: Was there anyone—?

Scully: Nobody liked raising taxes, but I think there were some fairly responsible, moderate, reasonable people, and there's no question it was the right thing to do. Would we have loved to have just cut spending and not raise taxes? Sure, but we didn't have the votes to do it, so the issue was take a walk or work out a deal and I think one of my frustrations is the first deal, if you went back and looked at it, was substantially better than the second deal. The guys who broke the first deal were the conservatives like Newt who were actually not going to raise taxes. Three weeks later, they were back working on a worse deal with more taxes, which was pretty stupid.

Young: Imagine the Republicans had been in the majority in Congress. How do you think that deal would have come out, given the fact that the—?

Scully: Well, if the Republicans had been in a majority in Congress, you wouldn't have tax increases. You would have had tax cut and program spending cuts and you still would have balanced the budget. If you look at spending growth in the '80s and '90s, it was 15 percent, 20 percent a year. Even now, it's probably 10 percent, 12 percent a year, so the issue is not—

Young: So Gingrich would have, in a Reagan-controlled Congress—

Scully: Absolutely no doubt that if I could have sat down with Newt Gingrich and John Danforth, for instance, who was a very moderate guy, or any Republican Senator and worked out a package. You could have a very successful package that would have balanced the budget and reduced the deficit over the course of six or seven years and have a tax cut. The issue is you don't have the votes to do it. It's not what the Democrat majority wanted. That's not what their constituents wanted. You may not be happy about it, but that's the hand you're dealt and that's the way it goes. It was not like where you have a close majority.

We had huge legislative fights and we'd work our tails off. If we got 200 votes, that was a victory. I can't remember us ever winning a House vote that we cared about in the four years of the Bush administration. It was just impossible. We weren't even remotely close to—I mean, we'd have to swing 40 Democrats to win a vote on anything. I can't remember us winning a vote in four years in the House, even the Senate. But I can remember, if we got over 200 votes in the House, we'd sit around and have a party over what a great success that was.

Young: But overall you had a fairly successful time in the office, given those—

Scully: Oh, we worked out deals with Democrats when they were with us. That was great. Like on the budget deal. If you went back and looked at the votes, I'll bet you would find that that was—RBRVS, Physician Pay Reform—Bush and Rockefeller and Rostenkowski doing a deal over the objections of all the Republicans in the House and the AMA [American Medical Association] because back then the AMA was all Republican. They were fighting us to the death. The AMA thought this was price controls and the budget deal was bad for them too. I'd bet you'd find that probably two-thirds of the Republicans voted against the budget deal.

When we did deals, we'd do a deal with the Democrats. We'd get the Democrat majority behind it and we'd pick off enough moderate Republicans to pass it, because it was the only way we'd get anything done. But usually the majority of the conservative Republicans and anything you'd see that passed, any time we had a fight with the Republicans versus Democrats, we'd lose overwhelmingly. Rarely did it pick off enough conservative Democrats to do it. Ninety percent of the deals we did were getting the Democrats to agree to a compromise, maybe a few very liberal Democrats would vote against it. Most of the Democrats would vote for it, and you'd pick off a third of the moderate Republicans and you'd pass something, but usually that would be very controversial, just like the '90 budget deal.

One of the keys to getting the '90 budget deal through was finally getting Phil Gramm, who was in all the negotiations, to sign off on it. Because once Phil Gramm signed off on it, a whole bunch of conservatives, budget zealot Senate Republicans, signed off on it too. They figured it

was good enough for Phil Gramm and he was involved in it. Phil Gramm, for instance, backed the deal and said, "Look, I wish we could cut taxes and do more on the spending cuts, but this is the best we're going to do and I hate it but I'm going to hold my nose and vote for it." Phil Gramm's not exactly a liberal and he was in every single budget meeting absent the real senior ones that I know of.

Strong: Were there advocates for doing something like the budget deal earlier? You had the National Economic Commission sort of in place before the '88 election with a lot of the bipartisan representation.

Scully: I think it's even tougher. When we first came in—Bob Strauss chaired that if I remember, and I'd been at Akin, Gump. I was an associate then at that point at that firm, but I knew a whole lot of those guys. I knew Strauss well, and Drew Lewis, I think, was the other co-chair. You're getting into really ancient history, but I think when we first came in a lot of those—it was like the Social Security deal in '83. There were a lot of really bipartisan ideas on compromise including tax increases—

Strong: And entitlement controls and—

Scully: Yes, and discussion about doing that, but I think the thought early on when that first came up was that we got this tossed in our lap and we have to make an immediate decision about where to go. Sununu was the Chief of Staff. He started out—He's a very conservative guy and he got more moderate and more pragmatic as he found it was the only way to get things done over the next year. The first thing out of the box right after the election, we were going to come up and do this big compromise deal and raises taxes. "I don't think so" was the basic thought and the best thing we could do was drive the thing off a cliff, which we kind of did.

Shreve: It's been said that in the Reagan administration one of the things that hamstrung their policy makers on something like that kind of a deal was that they had monetarists, supply-siders, balance-the-budget types working at cross purposes or in conflict and therefore could not come to an amenable decision. Did you see that that had pretty much been resolved by that point or certain folks had been ushered out by the time the Bush folks are considering such a deal?

Scully: In '89?

Shreve: Yes, '89 or even '90.

Scully: I had a lot of friends who worked for Reagan but there was not a lot of—it was a clear camp of Reagan folks and Bush folks. If [Albert, Jr.] Gore wins, you may find a lot of holdovers. President Bush and President Reagan got along pretty well, I think, but when Reagan was President for eight years, none of the Bush people were ever involved and they were pretty much shut out to a large degree.

There were some Reagan holdovers, but there was a clear group of Bush people who'd been waiting for eight years and they had not exactly been treated lovingly by a lot of the Reagan people. I mean, Darman was a Reagan person. Jim Baker was a Bush person, but he ended up

working for Reagan, but there weren't a whole lot of people that were Reagan people hanging around to have a big policy effect. There were some. John Cogan, who was a great guy at Stanford was a Reagan person. John was the deputy at OMB for a while. Marlin Fitzwater was a Reagan person, but Marlin was really a civil servant who just happened into it. But the real Lyn Nofziger types and the real Reagan people that were driving policy, Ed Meese and those people, they were not ever really tied in with Bush people.

Shreve: How about professional economists? Any of those folks called upon regularly at that point?

Scully: Mike Boskin was very involved early on, but Boskin always got along great with Darman and was pretty close to Sununu and he'd get involved, but—and I like Mike a lot. I also did Mike's transition. I defended his confirmation, too, but he just was not a political guy. He got along because Bush really liked him and they'd get him involved, but he followed Darman and Sununu's lead a lot and he was not really political, so he'd give them advice and get engaged, but he would never take them on.

Shreve: By the end of the Reagan administration, for example, I think it was close to the end, where the President said of economists, "They all wear Phi Beta Kappa keys at the end of their watch chains but have no watches." So that there was some disdain for professional economic advice. Did that continue?

Scully: I don't think so. Economists' advice about what's going to happen to the economy if you don't do a budget deal, if you don't restrain spending and projections—economists can give you advice of what's likely to happen, but they can't implement the politics of it, which is much tougher. I didn't see anybody who was an economist who was involved in the decision-making of what should we do. I mean, it was pretty clear what we needed to do.

The Democrats wanted to catch us on raising taxes and shove the "read my lips" down our throats, which they eventually did, and we wanted to get the budget deficit under control and thought it would improve the economy, which it eventually did, and we didn't have any choice. We had to swallow hard and eat it, which maybe was the wrong political judgment but it was the right thing to do. And my regret is that I don't think you should apologize for doing the right thing. Politically we were in a box and President Bush made the judgment that it was the right thing to do and I think it was. Unfortunately he paid for it in the long run.

Shreve: Was there any second guessing during the '92 campaign, for instance, when they were looking for a fiscal stimulus?

Scully: Was there any second guessing?

Shreve: About the budget deal?

Scully: Every day. I listened to it at lunch every day. "If it wasn't for you guys (OMB), we wouldn't be where we are." There was a lot of whining and moaning and lot of hindsight 20/20, but there are a lot of things that happen in the intervening years. But you could make the

argument that one of the main reasons we lost in ’92 was the no new taxes thing. You could also make the argument that whoever wrote the “no new taxes, read my lips” speech was a fool. He—or she—didn’t have political judgment.

Young: I was looking at a tape yesterday—

Scully: You need a lot of things to get elected.

Young: —of interviews with President Bush by David Frost, and he was asked about that “read my lips” and about the tax increase that was part of that budget deal and Bush replied that he made a mistake in making the commitment in the campaign, not that he made a mistake on the budget deal.

Scully: Well, it’s hard. You’ve got to remember that you do a lot of things to get elected. He’s put a lot of time and energy into it and you get very tied up into it. Peggy Noonan wrote that speech and put it in there and everybody loved it and thought it was great. I think he gave it at the convention. I was working on the campaign and the partner at Akin, Gump I worked for, a good friend of mine, became Lloyd Bentsen’s campaign manager, and they called me up after the Democrat convention and said, “You’ve got to come back and take care of our clients. You’re 17 points down. This thing is over. Come on back here.”

We already thought it was over and most of the Republicans thought Bush was toast and thought we were going to lose to [Michael] Dukakis, so when you’re down like that, you don’t sit around and think too much about what’s going to happen later. You throw the kitchen sink at it, and a great rhetorical line like, “read my lips, no new taxes” sounded great and maybe it did help him win among many, many other things. But if you knew you were going to win, you probably wouldn’t say it, so maybe it was a mistake.

But you also might say that if he hadn’t in gotten the position where he was 17 points down in August and throwing everything but the kitchen sink at Dukakis and thinking of everything he could do to win, maybe he wouldn’t have won. He’d be sitting around Houston wondering what President Dukakis was going to do. So I think he probably did make a mistake and I think he probably felt bad about it, but at the time, given the situation he was in, giving a good speech with some great rhetorical punch lines in it probably is not a bad idea.

In hindsight, I’m sure he regrets doing it and it made our life difficult. We knew we were going to get trashed. We ran right into this tax increase, but there was an awful lot of stuff in the ’90 bill that was labeled as a tax increase that really was not a tax increase. It was a continuation of expiring tax provisions. We allowed the tax increase to get defined as a tax increase when a lot of it was not a tax increase. It was an extension of existing law of the tax provisions.

Strong: Semantics is always very important in that area.

Scully: It is, and once again, we were not really good. President Clinton—I have a lot of friends who work for Clinton. They are unbelievably good at the PR side of it, and that’s not a criticism. That’s part of the job.

Young: So was Reagan, too. He never raised taxes.

Scully: That's right. He raised taxes a lot more than—

Young: But to hear his speeches, never.

Masoud: Was there any operation in OMB that tried to sell this to the public or in the White House? You didn't have to rely on the President to sell it.

Scully: I think personally one of the problems was that Darman spent a lot of time trying to sell it and Sununu spent a lot of time trying to sell it. If the President had been intensely engaged in it, and it had been his idea and he had sold it, it would have been much more effective, because we went back and looked at the sales pitch back then about what a great deal this was. It was the Democrats saying, "We have to do this because it's the right thing and we're going to raise taxes because we need to support all these programs." And it was the Republicans saying, "It's the only way we're going to balance the budget." But it was largely Darman out there making those arguments.

Young: But why would the President not do that? It's not a question of taking—

Scully: That's the way we did things. There wasn't a big media push or campaign to sell it. There wasn't a national tour to sell his deal which probably today President Clinton would have done. It was just, we'll go on *Meet the Press* and tell them why we're doing it, why we're smart, and it was usually Darman saying, "This is ugly stuff, I'll take the hits." Or Sununu. And it wasn't the President out there saying, "This is the right thing to do and I hate raising taxes, but this really isn't a tax increase." If you went back and looked at the press back then, I'll bet you'd find that President Bush was not out taking the lead. It wasn't because he didn't want to. Nobody said, "Here's the media plan."

Young: I don't recall a major speech either on the subject, but I do recall quite a speech by Ronald Reagan saying, "We've got to stay the course" when there was a lot of pressure building up and he made a mistake—

Scully: Again, I like many of our media people—Marlin's terrific. His job was really responding to the press stuff. I don't think we had a person who sat around and thought big thoughts about public strategy.

Masoud: But there was no similar failing in, say, the Gulf War, for example, where the President is very much out there and making a lot of speeches.

Scully: He was engaged and he cared about it and was viscerally involved in it. He didn't want to go out and take credit for it. I don't think he ever really did take credit for it, but he thought this was the right thing to do, "and I'm committed and I'm going to do it." He was doing it out of his personal beliefs and he projected that. Nobody was out there coaching him on how to do it.

Young: And explained why he was doing it, but there was no explanation on the budget deal or things related to that. There was no high level explanation from the President, so it looked like he was much more engaged than perhaps he was, but he wasn't in the public's eye. It seemed to me that he didn't appear to adopt this as one of his things and to explain and give the answer to the Democrats.

Scully: I think he wasn't happy. It was like going to the dentist. He probably wasn't thrilled about it either. It was just something he had to do and I think he was convinced he had to do it. He wasn't excited about it. If somebody had come up to him and said, "You know what? Whether you're excited about it or not, we need to do a two-week media tour and go out and promote this and say this is the right thing for America. We need to improve the economy," he would have done it, but I don't think anybody ever did that.

Young: Was there any effort to build constituency support—not involving Presidential tours or anything like that—for the budget arrangements? Or was it really all worked out inside Washington?

Scully: I think it was all worked inside Washington from what I saw. There were little things in there for different people. For instance, the childcare thing I mentioned was a big deal to the conservatives. I spent a ton of time on that because there were vouchers for childcare and they thought that was the next step toward vouchers for education, so we spent a lot of time getting that in and asking the conservatives in the summer of 1990, "What do you really, really want?"

Gary Bauer, who was in my office all the time pushing all this stupid stuff, one of the great knuckleheads of all time, was worried about the wee tot EITC [Earned Income Tax Credit] for childcare. He didn't give a damn about raising taxes. I mean, there were a thousand little issues that everybody wanted their own little thing, for the families, whatever his group is called. What they wanted was the EITC for staying-home moms and child care for $500, and I said, "How about raising taxes?" "I don't care, as long as I get my—" There were a lot of little constituent packages in that deal. It was much more than a budget deal. It was a huge piece of legislation with tons and tons of constituency interest for Medicare, for hospitals, for doctors, for appropriations bills, for people who had bridge-building programs and transportation.

Shreve: Women, Infants, Children program, I believe.

Scully: WIC?

Shreve: Yes, WIC. Was that increased slightly?

Scully: I don't know. We increased WIC every year. We had jacked up WIC and Head Start massively because I thought it was good politics for the President to look compassionate to the poor and be worried about social programs. We did it every year and I'd fight for it every year but you know, you never get any credit for it because Democrats are going to beat you up no matter what, and no matter what you do for the poor in those programs, as a Republican you'll never get any credit. People were generally right. We never got any credit for it. But we increased WIC a lot and Head Start a lot, and I had all those programs and we cranked a lot of

money to that. WIC was increased ever year pretty massively, probably 25 to 30 percent a year. And I'll bet Head Start went up 20 percent a year. I'll bet nobody ran an article about how much President Bush increased the program.

Young: I don't know. We haven't interviewed anybody and I don't know much about it. The public liaison operation of the White House is again Marlin Fitzwater, but some other Presidents earlier have brought in groups to give them talks in the East Room or something, selling their own policies but to targeted groups for White House support.

Scully: We did a lot of that.

Young: You did a lot of that? Was it on fiscal policy?

Scully: Yes. I think we had lots of outside groups in. We had people in twice a week sitting around being with the President.

Young: Did it do any good?

Scully: I've always thought that stuff was of limited value outside the Beltway. It is often D.C. trade association politics, now I run a trade association, but the real issue is: Do you go out and do the *Today Show* or *Good Morning America*? Nobody did back then. I mentioned this in my speech. The real constituent guys reaches the guys out there in Topeka. He doesn't know that his trade association person is coming to the Cabinet Room and getting a pitch. Maybe he'll see it in his association newsletter, for instance, a month later, but the real communication that I think Reagan did much better and that Clinton has done much, much better was just getting out there and talking to people publicly, whether it's the press or TV or whatever about what you're doing, which I didn't think we really had a big strategy for.

Young: Do you think that would have changed if Bush had been reelected? If there had been a reelection, what changes, if any, do you see?

Scully: I don't think we ever had—and I worked for David, who's great. David did a good job, but the role that David Demarest had, the people on our communications operations had, was generally setting up the President's trips, getting the local press there. That never got defined as a big strategy, and I never got the feeling that David was ever tasked with doing that.

I think if Roger Ailes—I worked in the '88 campaign. Ailes is a brilliant guy, and Ailes had that view, big picture, mass merchandizing, Proctor & Gamble, sell the President as a product. If we'd had a Roger Ailes-type person in the White House, which President Clinton has had, Reagan had, it would have been different. We didn't have anybody like that who sat around. Sig Rogich was there but Sig Rogich just wasn't the same kind of guy. He was an advertising guy, but he wasn't the kind of guy who walked in every day and had an idea that, "We're going to go sell you like soap."

Shreve: Your description of the President sounds like that kind of a person would have clashed with his outlook and approach.

Scully: Unless they're really strong and tough, like David is a really good guy and a terrific staffer, but David wasn't the kind of guy who had the stature to walk in to President Bush's office and say, "God damn, whether you like it or not, we've got to go sell you at x, y and z," and Sig Rogich wasn't either. The reason that Ailes was so good in the '80 campaign was he was like that. He would go push Bush and tell Bush, "This is what you're going to do."

I think if you look back in history, you'll find that the primary reason Dan Quayle got picked—it may not have been that great an idea—was that Roger Ailes told him it was the right thing to do, which stunned all of us. But Ailes was tough and aggressive, and a guy like Bush who doesn't like promoting himself and doesn't like taking credit for stuff needs somebody like Ailes who's going to come in and grab him by the nape of the neck and say, "You may not like it, but you're going to go do it." We didn't have anybody who would do that kind of stuff and maybe Clinton and Reagan were more inclined to do it on their own. Bush's inclination was to give credit to somebody else, which is an endearing, wonderful quality when you work for a guy like that, but it's got its drawbacks.

Young: Would you make the same generalization about Sununu being the mean guy and Bush the good guy?

Scully: But Sununu was a not a PR guy.

Scully: No, but in dealing inside?

Scully: Yes, but Sununu was very effective with Bush. He could get Bush to do a lot of stuff. I wasn't privy to private conversations they had about whether it was a good idea to finally sign off on the budget deal or not, but I'm sure that Sununu was the conservative barometer. One of the reasons he became Chief of Staff was because he was the conservative pick and he was also a good friend of the Bushes, but he was the guy to work with conservatives, how they reacted. I think Sununu was as conservative as they get. If Sununu thought it was OK, fine. But Sununu was a Governor of a little state where there wasn't a lot of media, didn't live in that big environment. I think if he'd been the Governor of New York or Texas it would have been different, but he didn't think in terms of how you project beyond the nightly news. What else do you do to get the message out? I just don't think he thought that way.

Young: I think the same thing, for different reasons, would it have been true of Darman. He wasn't a public—

Scully: No. Darman thought more in terms of Congress and the PR. How you would get things done in Congress and how you project yourself there. He thought he was a big press person, I mean, but there's a difference between a Roger Ailes and a—Roger Ailes is a media guy. He understands how to do it. I spent a lot time with him in '88 and Ailes was really, really good. I didn't see much of him—He was around but not that much after we won.

Is this the right direction? I'm just kind of rambling all over the place, I know.

Shreve: I think you put a lot of things on the table to talk about.

[BREAK]

Scully: —Darman basically just crushed him in the first week and made him totally irrelevant. Basically cut him out of everything.

Young: You're not talking about Skinner?

Scully: No, no, this was Charlie Kolb.

Young: This was before Skinner.

Scully: This was earlier on. This was probably two years into the administration. Charlie became Roger Porter's deputy. I'd said it was good to hire him. You were asking about the books—Charlie wrote a book. Charlie, who's never been forgiven by anyone. It was the one incredibly unbelievable thing you would ever think of as a Bush staffer, to write a kiss and tell book afterward. Charlie was so cut out of everything that for him to be in a position to write a book was a joke, but Charlie wrote a book afterward called *White House Daze*. He took a lot of shots at people.

Charlie came as Roger's deputy, and `in the first week and decided to pick a fight with Darman. Darman basically just crushed him and cut him out of everything, and Charlie sat in his office for two years and had no role. Then when we lost, and he wrote a book about how terrible it was. If they would have listened to him, everything would have been fine? And he may have been right. But I can tell you, a lot of people may have thought that, but they didn't write books. Nobody's talked to Charlie in seven years that I know of. He's the most unpopular guy as a result of that book.

Young: Before we get back into this, do you have any advice for us about how we can nab Dick Darman for an interview?

Masoud: He's agreed to do it.

Young: But he doesn't answer his—

Scully: He doesn't answer his calls or what?

Young: Well, he doesn't schedule a time and he doesn't respond. We have to schedule some things.

Scully: Would you be willing to go to Washington to do it? This is easy for me because I'm down here a lot anyway. I have a house down here.

Young: It's harder for us. If we have to, we will. He says he needs time and he also wants to share with us some documents, which is all good.

Scully: Oh, he will give more information. If he does it, you'll be astounded when he does these things. I was always amazed. Like when I'd testify in Congress, I'd sit down four hours before I was to do it and I'd write up a testimony and wing it and type it up and ship it off to the Hill. Darman would testify. It was an event. We'd spent weeks on it and he would mull over every word and make major statements. He'd make major statements that would have major impact and you'd find reporters and people would read his testimony. Two years later they'd pick things out of his testimony. He will do a lot of research, a lot of homework, and he'll come loaded for bear.

Young: Well, we'll give him time.

Scully: And he'll be very good at defending himself.

Young: He won't have to with us.

Scully: He will, and I think he has some grounds to do it. I think he will never get credit for it, but I can tell you, if you ask Leon Panetta or anybody else who was involved in the serious budget policy in the '90s, the 1990 budget deal may have lost an election but that's the reason you've got a surplus today. Those rules didn't exist—

Young: That's pretty evident from people who study these things.

Scully: And the only person who understood that deal at the time, including me and any of the people who worked for me, was Darman. The way the deals were broken up was Bill Diefenderfer, who was the deputy, who was Bob Packwood's old chief of staff. He's a guy you ought to talk to—Diefenderfer did all the tax negotiations. Diefenderfer negotiated the '86 tax bill, the big tax restructure in '86. He was a tax guru, he was the deputy, and he was Packwood's chief guy for years. He was a brilliant tax guy. He did most of the tax stuff with Darman's input—what taxes you're going to change—and I did most of the Medicare and entitlement stuff. Grady had the appropriations stuff because he had a bunch of those things, but it was kind of broken up into groups and little subnegotiations.

Darman and Bob and Barry Anderson, who's now the number two guy at the Congressional Budget Office, who was a career civil servant, those two guys did all the process stuff, and I can tell you that the Democrats had no idea what they were doing to them. They had them tied up in knots. They just didn't understand them. All that stuff—they were focused on the spending and the tax increases, and Darman was focused on the process. Now that the smoke's cleared ten years later, we lost the war, then we lost an election over it, but there's no question that they didn't know, and they never would have agreed to those budget restraints had they understood what was going to happen to them.

Young: Pay-as-you-go and caps.

Scully: Pay-as-you-go and the caps was very cryptic and that was the one thing Darman really wanted. He got it in there and he swapped a bunch of other stuff for it, and in the long run it was

a great policy thing to do, but nobody understood at the time, including me. He was trying to explain it to me after we'd signed off on the deal about how it was going to work, and how we'd have to wait for three or four years. We gave them a ton of money up front so they all think this is great, and they'll change it later, but we got them tied up in a box and they'll never get out of it, and he was right. They never have gotten out of it. We just weren't around to see it. He knew what he was doing.

Young: You mentioned a while back, of course, Darman and Jim Baker had a history together, but not in the Bush White House.

Scully: It was the Reagan White House.

Young: In the Reagan White House. But in the Bush White House, they weren't connected in their work.

Scully: I think Darman got the job because of Baker. Baker and Bush obviously are very close. Have been since they were young, and Darman had a reputation—It's my understanding the way Darman got the job is a lot of people didn't like Darman from the Reagan administration because he had sharp elbows and he was tough and he wanted to be the director of OMB and Baker basically said to Bush—Bush didn't like Darman much from the Reagan administration either apparently—he may have his warts, but he's a smart guy. He gets things done. He's brilliant and he'll do a great job for you and I think it was Baker that got Darman hired, so Darman always looked at Baker as kind of his mentor, but Baker disappeared for three years.

Darman and I got to be great friends and I like him a lot. We had our fights. I can give you some history of that too. Sununu—who Darman treated kind of as—they were kind of equals, even though Sununu was a little higher, but they'd spar with each other and playfully beat each other up, but Darman was never intimidated by Sununu. If you went to a meeting in Sununu's office with Darman, the two of them would do 98 percent of the talking and they'd beat up everybody else, but they were kind of coequals and partners and did things together.

After Sununu got canned, Darman and Skinner just hated each other, which caused a lot of Skinner's problems. It was interesting because when Baker later came in as Chief of Staff, Darman was like a little boy. It was amazing to watch. One of the first couple of meetings I went to in Baker's office, where Baker was the Chief of Staff and Darman—if you went to a meeting with Sununu or anybody else with Darman, Darman was very forceful, in your face, totally dominated the debate and everything else, and it was either Sununu and Darman and everybody else was a second-tier person, or Skinner and Darman and everybody was a second-tier person. When you got in a meeting with Baker, Darman was the polite little boy with his hands folded listening and was just another staffer. It was a complete character change.

Shreve: Was that abrasiveness in his character part of the reason he didn't bring any associates with him when he first came on?

Scully: Yes. I think that's probably what he'd tell you. I talked to him about that because he was brutal with me. He was working for Shearson Lehman Brothers during the transition and he had

an office over on 17th Street and I'd go pick him up for meetings to go to the Hill. He was very rough on me, but I'd been doing this stuff for a while and I had a reasonably thick skin, and I gave him some crap back after a while—pardon my French—and we got along. I made clear there was only so much I was going to put up with. I think he kind of liked that and he liked people to fight back.

I may have told you this story, but when I went over and worked for him, we had a conference room like this with a table a little bigger than this, and every morning we'd have an 8: 00 staff meeting with like the top 15 people. He was very into legislation and at the time, the first eight months or whatever, I was running legislative affairs, so I ran the meetings in the morning and sat across from him. He'd belittle me and humiliate me and beat the crap out of me and just torture me every day at the staff meeting for 45 minutes. "You don't know what you're doing." I did know what I was doing, but that was just the way he was. He was just really vicious. In fact, I think if you go over those articles, there're a couple of those articles that alluded to how brutal he was to me early on.

I think probably about March I called up Akin, Gump and said, "Look, I hate this son of a bitch, I'm quitting, I'm coming back." I had already decided I was leaving and he beat me up at a staff meeting one day and I followed him back to his office and I walked right down the hall and slammed the door behind him and I yelled about 4,000 four-letter words at him and told him what an ass he was and quit. It was the best thing I ever did because he came back to my office about an hour later with his tail between his legs and apologized and said, "I really don't want you to quit, I want you to stick around," and for the next 3½ years I got along great. I was mad enough, I was really quitting, but unless you got to the point where he was kind of a bully and unless he thought you were not going to put up with it, he would push you around, and a lot of people put up with it.

Strong: Did he interview you for the job at OMB or did he already know enough from congressional escorting you'd done?

Scully: I don't think he ever really interviewed me. I probably took him to meetings with 15 Senators. I think he just in the corridor one day said, "Hey, you want to come work for me?" And I said, "Well, I don't know. I've got a couple of job offers. Let me think about it."

Strong: Now in escorting him around to those Senators, were you telling him information he didn't have about what staff people he might meet?

Scully: You could try, but it was hard.

Strong: OK. So you were driving him around?

Scully: No. I set up the meetings and some of the Senators—a lot of them I knew better than he did, which he didn't like because I'd been doing it for a while. When I was at Akin Gump I was a lobbyist. It was an interesting process. It was funny. The worst thing—three straight days in a row, I took Mike Boskin, Darman, and I forget who the other was, in to see Don Riegle, who was the Senator from Michigan, and you would have thought I wasn't there.

Riegle, who was the Democrat from Michigan, used to be a Republican. It was like an instant replay. I was the only person in the meeting with two of them most of the time, and in every case he walked in and said, "Did you know that George Bush and I were—" And he'd walk up in this closet and pull out this little scrapbook, pull out his little pictures of George Bush and him back in 1966 when they went to Congress together. It was the same pitch and it was unreal. I was sitting there. Did he not realize I was here yesterday listening to the same crap? Three days in a row with three different guys.

Shreve: And he didn't wink at you?

Scully: He didn't wink at me or look at me. It was just like he was on drugs or something. I couldn't believe it, and of course, I'd go out and tell each of the nominees. For Darman, you know, he did the exact same thing, the same meeting. It's like you pushed a button, proving that he was really George Bush's best buddy. I don't know. Darman was a complex guy. I think Darman knew I knew a fair amount about the Hill and what was going on, so he used me a lot, but it was tough. When I first started doing legislative stuff, when he'd go to the Hill and lobby, he wouldn't bring me and I'd have fights with him and say, "Look, if you don't want me to go to the Hill with you and start helping you out, then why don't you just get rid of me? You don't need a legislative affairs officer if you're going to do it all yourself." And he'd say I didn't need to come to this meeting.

When I first—like two months after I got there, because I knew Bob Michel, who was then the ranking Republican, and I knew Dole really well, so he just wouldn't tell me what he was doing. I'd find out where he was going, up to be with Representative Michel or Senator Dole. I'd go first and I'd be in there talking to Michael and Dole when he showed up and he'd get really pissed off. He threatened to fire me one time. "You shouldn't be going to this meeting." I said, "Well, if you're not going to use me I'm just going to show up." You just had to deal with him that way because he wanted me to go do his lobbying for him, but he'd go around and have meetings with these members and wouldn't tell me. So I just said, "Fine, I know them as well as you do. I'll just show up. You can throw me out."

Masoud: Now what happened when you became associate director for human resources and veterans and labor? Did he fill the congressional liaison post or did he—

Scully: Yes, just a little different because my deputy went and did it. A guy named David Taylor.

Young: Taylor was your deputy?

Scully: Yes, and Shawn Smeallie was my first deputy. He left and then David Taylor.

Masoud: Nobody's officially appointed though until, I think, '92. Is that right?

Scully: Part of it's just the way Darman operates. In the beginning, Darman and I—I did a lot of stuff with Darman legislatively and got pretty involved in all the substance of it. When I moved

over to the other job, most of what got done legislatively was done by Grady and me and Bill Diefenderfer. When I first went over—and I don't like dumping on other people—when I first started doing legislative stuff, Bill Diefenderfer was the deputy, was doing the tax stuff. Grady was very good at doing the environmental and energy stuff. The woman who did all the health and human resources was just not very good and didn't understand the Hill. So even though I was running legislative affairs, I immediately got stuck doing RBRVS, welfare, and anything to do with welfare, education, and health. She didn't know what was going on the Hill, so I immediately got into that kind of stuff, so even though she left when I took that job, it really wasn't a big change. I was doing it all along anyway.

Grady did his own legislative affairs. He negotiated the Clean Air Act. I never got involved in that at all. The people who knew the associate directors and the substance—if they were good, because that's what Darman wanted—were on the Hill six hours a day. I was on the Hill two-thirds of the time.

Strong: What was the coordination between what you were doing and the White House, legislative liaison staff?

Scully: Very coordinated. I'd go to Fred's [McClure] staff meetings, but the difference was really the substance. The way us legislative guys—all of them were good friends of mine, and I still spend a lot of time with them. Shawn Smeallie was my deputy, went over to work for Fred. They were vote counters. They rarely got on the substance. I'd get involved in the childcare or the Medicare stuff before it ever went to a subcommittee, before it went to a committee, and get the drafting and the substance and then work all the way up through the committee. They basically were lobbying whatever votes were on the House and Senate floor and they rarely got into detailed policy. We did the policy side and they basically would go around and if you were trying to do a capital gains tax cut or pass the Clean Air Act and you needed 51 votes, they would count the vote and work with the leadership to make sure you got the votes.

They basically monitored the House and Senate floor and if you knew a Congressman or a Senator was upset about something or needed something from the White House, they were the liaison, but they rarely got into policy detail. Very rarely. There were some guys, like Al Simpson's former chief of staff, Boyd Hollingsworth, was on the staff, so if you had something where Al Simpson was very involved, you usually got Boyd involved. Whereas Shawn was [Alfonse] D'Amato's guy for years. Nobody liked dealing with D'Amato, so when you had to deal with D'Amato on defense issues, because Shawn knew a lot about defense, you might get him involved, but usually they were vote counters.

If you had to get involved in the detailed substance, you usually got involved with the agency people, so I did a lot of work with HCFA [Health Care Financing Administration] and HHS [Health and Human Services]. If we had to get physicians pay reform through a House vote at the last stage, you'd get involved with the White House legislative guys. You might tell them what's going on, but I'd probably do seven or eight months of work with the departments to get the policy done and through the committees before it ever got to floor vote. Does that make sense?

Young: But during the process, when they were set loose and during their vote counting and so forth, you weren't out of it that time, were you, on the substance? Because there would be negotiations or something you'd have to work out?

Scully: They would get to the point where you were on the floor with some compromise.

Young: You would have to be, wouldn't you, in some of the tactics?

Scully: Oh, yes. I spent a lot of time. On the average day, if I got to work at 7: 30 and left at 9:00, I'd probably spent three hours in Gingrich's office and three hours in Dole's office hanging out because Gingrich had a little office where everybody worked and Dole had one and they were 50 yards away from each other.

Young: So they weren't involved in negotiations so much when it came to substantive matters with the leaders?

Scully: They'd be involved vote counting and negotiations on who we got to vote for it, and rallying the troops and calling up and making—how do you get 218 votes? They might get in the final vote on the Clean Air Act, but they wouldn't be involved in negotiating what was in the Clean Air Act, or the childcare bill. Unless—It depends, Nick Calio, who was very good because he was so close to some of the members and had a background, got involved in a lot of tax stuff. Calio was really good, especially in the House. Calio would get involved in a lot of stuff because some people, if they had really wanted to get involved in substance, they could, but they were busy, and the only White House legislative guy who ever really dealt with the serious substance that I worked with was Nick Calio.

Young: Did you have in your area of policy concerns more or less a charter from Darman? Or did he always look over your shoulder?

Scully: No. He'd give a very free hand—until you screwed up. Yes, he basically said I had four departments and anything that fell in those four departments I could pretty much do whatever I wanted. But my leverage to get a lot of stuff done was the perception of the departments on the Hill that I could get whatever I said. I was a 31-year-old punk at the time, so the presumption and ability to get things done was the perception that I'd call back and get Sununu and Darman to back me up and the President to back me up. Otherwise it wouldn't make any difference. But if someone came up from HHS and wanted to negotiate something, most members of Congress knew that it wasn't necessarily going to be the final administration position. After a while if you come up again and again and you say, "We're going to do x, y and z," and they find out that you are actually going to deliver, then members start to deal with you. They start understanding and cut deals with you and work things out.

Young: You said a moment ago that you worked a lot with the departmental agency people. Why?

Scully: Well, because they had the really detailed substance and lot of people on the Hill. The departments usually had a lot of career civil servants, so if you were dealing with Medicare,

which was my biggest issue, or Medicaid, and you were dealing with the Ways and Means Committee of the Commerce Committee, all the committee had longstanding ties with the departments. So you'd tell them one thing, but if they would call up HHS or HCFA and find out something else from many years of working with them, it made your life a lot easier if you had the agencies with you and it made their life easier because I had the White House with me.

Young: Was that ever a problem, getting the agencies—?

Scully: Every agency was different. Gail Wilensky, who was the HCFA administrator under Bush, was terrific and was a very good friend of mine. I did all kinds of stuff with her. Lou Sullivan is a nice man but had an unbelievably bureaucratic setup and became completely irrelevant. Lou Sullivan was Secretary of HHS. He had a very bureaucratic staff and they never got anything done. The subset agency under HHS that ran Medicare and Medicaid was HCFA. The woman who ran that was tremendous, so I basically just got the position every time I was doing this where I basically ignored Sullivan's office, which drove him crazy, and I always dealt with Gail Wilensky. Gail and I did a lot of deals together. It used to drive Sullivan and his staff nuts because we just cut them out. I don't think Lou Sullivan set foot in the White House more than three times in four years.

Young: Did you ever encounter a situation where there was nobody that you really could work effectively with on an issue in a department?

Scully: Yes. Lauro Cavazos, who was a disaster.

Young: On education, until Lamar Alexander?

Scully: And Lamar Alexander was great. Lamar's a great guy.

Young: So what did you do then?

Scully: Well, Roger became the Secretary of Education.

Masoud: What was it about Cavazos that made him a disaster?

Scully: He didn't show up for work. He didn't know what he was talking about. If you wanted to get hold of him, you had to call him between 10: 00 or 2: 00 or he wasn't there. He just wasn't engaged. He didn't understand the issues. He didn't know—I mean, how he ever got the job is beyond me. I think I was pretty cruel to him. I don't remember. He was a nice enough guy, but he just didn't have any business being there. He didn't know what he was doing. Was Cavazos invited to the Charlottesville summit? If you checked, I'll bet he might have been here. Roger really liked education. The President liked education. It was a good PR issue. There really wasn't that much meat there.

Darman didn't care about it. He wanted Roger to go do his thing. And Roger spent 90 percent of his time on education and there was a void there because Cavazos was a total empty suit and was totally disengaged, so Roger became the education czar and the Governors were interested in it.

It was a great PR issue and unfortunately I don't think there was a lot of real meat there, but the first two years there was a lot of stuff done on education and Lauro Cavazos was rarely if ever involved. Fortunately he had a deputy, a guy named Ted Sanders who was great, or we would have been in big trouble.

Masoud: So when you would do work on education, you would be working with Porter?

Scully: Yes. Any time I'd be working on education—

Masoud: So Darman didn't really care about what you were doing?

Scully: I worked with Roger a lot and Roger and I are friends. I like Roger a lot. The only problem with Roger was Roger was not mean enough or tough enough. And Darman took advantage of it. I think if you asked Roger what were his real accomplishments in the administration, one through nine would probably be education because he didn't get that involved in other stuff. So he filled that void. Roger effectively was the Secretary of Education and I had the education funding, so I wrote the budget for it. I worked with Roger a lot. Roger had two staff and I had 15 or 20 education staff, so effectively most of Roger's stuff, the paper that he delivered was usually written by Barry White, who was the chief OMB staff guy—still is— and most of it was cranked out by Barry. So on education basically OMB was subsumed under Roger's operation, and that was conscious. It was fine and that was OK and everything else he was totally cut out.

Masoud: And what about when Lamar Alexander comes in? Do things change in the way education policy is made?

Scully: Yes.

Masoud: Roger's less important now?

Scully: Lamar became much more dominant, because Lamar was an effective spokesman and effective Secretary and had a lot of ideas and was out there pushing things.

Masoud: So that's who you started working with then on education?

Scully: I worked with both of them, but I worked a lot more with Lamar, because Lamar was good and Lamar also understood that OMB was—In Republican administration, OMB tends to be much more powerful because the White House usually wants to sit on the agencies and control them, and my perception of the Democrat administrations is the agencies get a much longer leash.

Lamar is a really nice guy, and from the very beginning he thought his staff on education was very weak. He knew that the OMB staff was very good and Barry White, who'd been there for years, was so good that Roger and I actually literally lent the chief guy on education at OMB to Lamar to work on his staff for probably six or eight months. He literally moved over to education for a while. I went over and met with Lamar once or twice a week and knew everything he was

doing and he knew what we were doing and it was a very good, very upbeat, positive partnership.

Masoud: And Porter didn't put a fight or anything?

Scully: No. Roger doesn't put up fights. Roger couldn't be a nicer guy. Roger was happy. I'm not saying it's the most effective way you get things done, but Roger's attitude was great, "We've got a great new Secretary of Education, it's wonderful, he's going to help." Roger doesn't look at it as his turf is being invaded, but the fact is Roger became less dominant in the education policy world as Lamar got stronger.

Shreve: Was part of the problem as well related to the extent of federal involvement in that field? In other words, perhaps you lacked the institutional knowledge there that you had, say, with health care. An organization like HCFA that had day-to-day responsibilities?

Scully: I don't know what the number is now, but back then the federal government's spending portion of education was like 7 or 8 percent. There was just not that much leverage, and health care, every hospital, every doctor, gets 55 percent of their money from the federal government through Medicare and Medicaid, and if you count other programs, it's more. The federal government dominates health care policy and everything follows along.

Education is the opposite. Your ability to legislate is limited because [Gus] Hawkins was the Chairman of the House Committee and a very liberal guy, and Ted Kennedy was the Chairman of the Senate Committee, and they were nice and we worked them a lot, but they weren't going to change Chapter I. They weren't going to put in education vouchers, so you could come up with national goals with the Governors, which we did, and you could talk about vouchers and other things or targeting Chapter I to different places, but the reality is most of that stuff wasn't going to pass, so there was a limited amount of leverage you were going to have on education policy outside of coming up with national goals with the Governors. We worked on a bunch of different stuff with Senator Kennedy and got some things through on student loan reform and things like that, but nothing that was earth shattering, I don't think.

Shreve: Do you recall, you mentioned student loans, the early debates on cutting out banks as the intermediaries for student loans?

Scully: It was probably the single worst dumbest policy in the history of the administration. It was all Charlie Kolb. I fought it to the death, to the last, and it got adopted. It didn't get adopted in the Bush administration. It got adopted in the Clinton administration and the reason it didn't get out of the Bush administration was because it was dumbest, most insane policy I'd ever seen. I personally stopped it for four years, and you can talk about that if you want. Charlie was pushing direct student loans in the Education Department early on. He was a friend of mine then and he was pushing Cavazos on it. Cavazos got fired partially because of that, because Cavazos kept pushing it and pushing it, and the counter issue with that got focused on the whole factor of Cavazos wasn't doing his job, but he got fired for a lot of reasons. But anyway, Charlie was pushing that early on, and Charlie and I became the co-chairmen of the study group in the White House to look at that. Charlie always liked it and I was always hated it, and the study group came

down on my side, which was that it was a dumb idea. And then Charlie had the gall to go to the Hill, working against his own administration, and find a Democrat Congressman named Bob Andrews from New Jersey and privately lobbied this guy to push the bill, believe it or not, while he was in the White House, which is unbelievable.

Young: Was he fired?

Scully: Charlie, no. Nobody knew he was doing it but me.

Young: Did everybody know what he was doing?

Scully: Well, he didn't get anyplace while we were there, but the result was that direct loans got a lot of momentum right after we lost, and the Clinton administration did it. But think about the concept of the direct student loan. I was trying to cut down on the bank's margins. I don't have any great love for Sallie Mae or any of the banks. The margins we were paying were too much, and they had a great little gravy train, but the idea that the federal government should—I mean, why doesn't the federal government do car loans? Why don't we do home mortgages? We do through Fannie Mae, but that's at secondary loans. You guarantee them and you repackage them and you do a secondary market, and that's an efficient way to do it. But we basically took a $20 billion a year program and created a federal bank where the federal government became the loan authority.

We were giving out the money and because it's off budget nobody noticed it. What essentially we were doing is kicking $20 billion a year of new spending out the door and creating a federal bank to make student loans and we wouldn't start making money as a bank for 23 years. Twenty-three years to wait until the cash flow got positive. In the meantime, we're going to be kicking up $20 billion a year, but because it was off budget, nobody saw it. It was outrageous.

I mean, that's what the banking system exists to do is to—you can put together secondary loans and repackage them. But because Charlie somehow thought he was saving money, which he wasn't, the way the direct student loans work now is the federal government has set up an authority where the federal government is basically a bank to give students loans. Whereas if you want car loans or home mortgages or anything else that the federal government may subsidize and buy down the rates or do other things, that's what the private banking system exists to do. To create a federal bank to give student loans is insane, and unfortunately that's what we have now, despite my efforts to kill it.

Masoud: How do we know about what Charlie Kolb was doing? From his book?

Scully: No, because I knew what he was doing. I knew the people and knew who he was doing it to, but I had other things to do. I wasn't going to go create a great—I got him the job. I was one of the reasons he got there and normally I got along with him every day, but he hated Darman. He and I actually got along all right. He got frustrated that all his policy ideas, including direct loans, got sat on so he didn't have anything better to do because he was cut out of most stuff. So he started going up on the Hill and pushing his ideas, and I could kill him for that.

Young: Was that very often? Wasn't that sort of unusual for people to do that?

Scully: In the Bush administration, yes. Very unusual.

Young: Yes, I would think so. Not in some?

Scully: No. There were some guys. There was a little rump group and a lot of the guys that didn't like Darman. They had a little conservative breakfast group at the end for about the last year and a half and it was Charlie and Jim—the guy who created the tank commercial. He's the guy who came up with the idea of putting Dukakis in the tank. Jim—I can't remember the guy's name. I said it earlier.

Masoud: Was it Jim Pinkerton?

Scully: Pinkerton, yes. Jim Pinkerton and a few other guys who were Kemp disciples. There was a big philosophical rift at the end where all the guys who were—Charlie found himself as a Jack Kemp disciple and so did Jim Pinkerton. There were three or four guys in the White House who thought we were all a bunch of liberal jerks and thought they were true believers and they were pretty much cut out of stuff. Sununu didn't put up with it and they just weren't very engaged. Pinkerton was a very smart guy and good guy, was increasingly less engaged, but this little rump group of people who were trying to protect the true conservative values in the White House—but none of them did what Charlie did. Charlie was actually out there submarining the administration's own policies.

Shreve: Someone told a Cabinet person in the Reagan administration who was worried about a conservative insurgency that Ronald Reagan is the only conservative you have to worry about. Was there similar sentiment floating around the Bush White House?

Scully: I think most people in the Bush White House were pretty conservative. I don't think it was so much conservatives as it was that—this whole thing really started over empowerment. Jim Pinkerton was the big empowerment guy. Believe or not, the whole concept of empowerment, which is a big deal now, that word was basically created by Jim Pinkerton in an article years ago. Anyway, Darman had a funny little thing he put out about it. [*interruption*] Where were we?

Shreve: About empowerment.

Scully: Darman was wrong. It shows how bad Darman was with the rhetoric. Darman's view was we're already doing empowerment. We have all the things like income tax credit. We're doing all these different things that really are empowering little people, but this rhetoric is garbage and all this stuff that Pinkerton and all these people are pushing about empowerment is just garbage and it's absurd. Darman was wrong. Darman's frustration was he helped create all these low-income empowering programs and all these other guys came up with the label for it. Well, that's what they should have been doing.

Pinkerton was good at creating labels and Pinkerton was right, but Darman didn't like anybody

else getting into the ball game, so if it wasn't his idea he'd kind of sit on it, which was accurate. His frustration was that guys like Jack Kemp—and I'd spent a lot of time with Kemp because Kemp was very involved in—I'm getting myself in a lot of trouble here. Kemp was Mr. Empowerment and Mr. Low Income.

The reality is that if you ask Jack Kemp to explain to how AFDC [Aid to Families with Dependent Children] works, there wasn't a chance in hell. He didn't understand any of the programs. He was great at the rhetoric and great at the four talking points, but he didn't understand any of it and had no idea about any of it, and neither did Jim, but you know what? That's not necessarily bad. Kemp was great at projecting the image that you care about poor people and Jim Pinkerton was great at coming up with ideas about publicizing what we're trying to do to empower poor people, but Darman didn't like it and kind of mocked it, which was unfortunate. So you'll probably hear this from other people.

There was a growing groups of disenfranchised angry conservatives and Darman's view was, "We're doing all these conservative things and it's right. You guys are just mad because you didn't do them." Well, who cares? The reality is you need people out there finding ways to market what you've been doing, which Pinkerton was very good at.

Shreve: And evidently Sununu had a role.

Scully: They really got after each other. If you went back and read the press back then, there was a running year-and-a-half-long press feud between Pinkerton, who was cut out of things but had a lot of press contacts, and Darman. There wasn't much public evidence of unhappiness or disagreement in the White House, but probably the only one that ever got out in the press—and it was the kind of running theme—was Pinkerton versus Darman.

Strong: How much time did Darman spend with the press?

Scully: Well, I would say that if you walked into Darman's office and the door was closed, the odds were about 80 percent that it was Alan Murray of the *Wall Street Journal*. There were certain people. Alan runs the *Wall Street Journal*'s Washington office now. There were certain people Darman was very close to, and Alan Murray was one of them, so he spent a lot of time talking to Allan Murray and Dave Wessel of the *Journal*. He was real close to certain reporters and spent a lot of time with them.

Strong: And he regarded that as an important part of his job?

Scully: Oh, yes, he spent a lot of time with them. Well, obviously one of the dumbest things he did and the thing that killed him more than anything else, even more than tax deal, was he stupidly—if you remember, probably two months before the end of the election in '92, I guess his neighbor is Bob Woodward, I don't know what he was thinking of. Apparently confided his deeper, innermost thoughts about everybody, which were mostly negative, to Woodward, and Woodward wrote a brutal article that pretty much wiped Darman out, probably two weeks before the election. Anybody that didn't hate Darman before that, his goose was pretty thoroughly cooked. Had we won the election, he probably would have gotten canned just over that article, it

was so bad.

Masoud: I'm sure you've read Darman's book. He keeps on talking about how he went to the President time and time again and said, "If you want to fire me, fire me." He said he begged to be fired. Is that so?

Scully: I hate to admit this, because Dick sent me a copy of his book with a very nice note in it. It's been sitting next to my bed at my place at Wintergreen for three years and I haven't read it.

Masoud: Oh, just summarize it for us.

Young: Just tell us why you haven't—

Scully: Why I haven't? I like Dick and I probably should read it. It's just I found more interesting stuff. I read a lot of history. I've just been reading *Shadow*, which I've almost finished, an unbelievably—I don't know if any of you guys have read that—Woodward's new book—but it's frightening how Bob Woodward is the center of the universe. Everything revolves around him and Watergate. I think Christ being born probably had something to do with Watergate. I've lived through all that stuff and there probably isn't much in the book that—

Masoud: Was he cognizant of the fact that he was sort of radioactive? Did he go to the President and say, "Listen, you can get rid of me at any time"?

Scully: I'm sure he probably did—he was radioactive at the end. He wasn't radioactive all along. The perception of the press was that through most of it he was an extremely obnoxious, difficult guy that nobody likes, but he's brilliant and he's candid. He may be in your face but that he's an obnoxious policy wonk who's getting things done. That was probably the image for the first three years. It wasn't until the last year that he really became the target of venom for all these people, and a lot of it he created for himself. But I don't know that President Bush ever fired anybody, so one way to make sure you don't get fired is to walk in and say, "Fire me," because he wouldn't.

We were talking the other day about Sununu got fired and I didn't realize—I always thought the rumor was that the President fired Sununu, and Andy Card told me he was the one who—President Bush couldn't fire Sununu. Sununu walked in and said to President Bush in the morning, "Are you unhappy with me? You want me to go, I'll go." And he said, "No, no, no." Then he called Andy in and few other guys and said, "You've got to give him the message." It took him all day to convince him that he really wanted him to go. It's just not the guy. Look, these guys all spent more time with President Bush that I did and my observation is President Bush is not the kind of that guy—

Young: How did Cavazos get put out?

Scully: How did Cavazos get fired? Cavazos had a problem anyway, a little mini scandal brewing. If I remember, he didn't fly anywhere and he'd drive all around the country. He was with his wife and you could never find him, but he'd paid for his wife to fly some places and

drive some places and submitted some inappropriate expenses, which started getting him in trouble. Then these press stories coming out where he just wasn't engaged. He was a weak Secretary and he wasn't doing much and he was screwing some things up. Then we had this work task force on direct student loans, which he didn't really understand, but Charlie was really pushing him.

His deputy was against it, a guy named Ted Sanders, was on my side and Charlie, who was number three, was really pushing Cavazos. Cavazos really wasn't all that together a guy, but he kept pushing this and pushing this, and even though we had a White House task force that decided we weren't going to do it, he kept pushing it. So he got angry at me and he didn't really have any relationship with Sununu or anybody else. I was pretty close to Sununu and he, believe it or not, I don't think he'd been in the White House other than for Cabinet meetings since we got in office.

He called up Sununu at the urging of some of his staff to come over to complain about me and to try to get me fired, which was ridiculous, so Sununu called me up. I went over and talked to him. We talked about Cavazos, and this was like two days before the meeting and Sununu just hadn't focused in on how bad he was, and so they spent two days talking about it, and by the time he came over to complain about me, Sununu fired him.

Young: Sununu fired him?

Strong: Sununu fired him, with Bush's approval. It was clear it was Bush, of course?

Scully: It was clear to anybody who was around. Cavazos was a disaster, but he also had at the same time this little stream of stories running about him and his wife—I don't know if there was an independent counsel, but there was an investigation that he basically—

Young: But it wasn't initiated by Bush? It was initiated—

Scully: Bush knew he was weak. Cavazos was just never a factor. President Bush knew him from Texas Tech, where he was a nice guy and president of the school.

Young: A holdover from Reagan?

Scully: Was he a holdover? I don't think he was.

Shreve: No.

Scully: I don't think he was. He was the president of Texas Tech and he was an old friend of Bush. Bush liked him and he was recommended by a number of people for the job. To be honest with you, they were I'm sure trying to find a Hispanic Texas educator for Education—probably a good idea, but he was just totally incompetent. I think President Bush knew that and everybody knew that, but until the little mini scandal blew up, it was fine. I think it took some focus on—I'd have to go back and look at the issues, but I believe it was over direct student loans. He was angry because I'd been sitting on his proposal and he came over to raise hell about it with me

and he had been told by some staff to go over there and get this rotten guy—me. It was laughable.

Ted Sanders, who was the deputy, called me and said, "You know, Cavazos's coming over and trying to get you fired." I wasn't worried about it. There was not a snowball's chance in hell that was going to happen, I knew that. But I had to go sit down with Sununu and go through these issues.

In the course of those two days, they started checking around about the little scandal and how bad a job he was doing and what a mess it was. They just started thinking they needed to make a change. I think it was almost two years in the administration. I'll bet it was December of '90. And you've got to realize we were pretty busy. I think this was right after the budget summit. We were all focused on the budget deal for six, seven months and the first year was heavy in education and that kind of abated, and then we got involved in the budget summit and other things. I'm guessing he got canned in December of '90 right around the—because I remember when Alexander came in. Alexander may have popped in pretty quick. He may have been looking for a job in the administration and planting some seeds that our education policy could've been better, because he was literally in there the next day as the Secretary. He may have been wandering around planting some stuff, but he was a great Secretary. He did a great job. He's a terrific guy.

Strong: You said some things about what Darman was like in meetings with Sununu and then very different meetings with Baker? Were you ever sitting in the back row in meetings with the President and Darman?

Scully: Yes, sitting in meetings in the front row.

Strong: What's that interaction like?

Scully: President Bush's meetings were very casual. Cabinet meetings were different because you'd have the Cabinet and then we'd sit in the back row. But if you went in to talk to him about policy or budget, it was usually in the Oval Office, with five people sitting around the couch very relaxed. Most of the time I was talking about my very specific issues like health care. Usually I was in there to talk about budget issues, and Darman was taking the lead. Anything that was really specific I'd jump in on—very relaxed. He's a very easy nice guy to deal with, and I think Darman always seemed very at ease.

The only time I ever saw tension was in the bigger Cabinet meetings because a lot of these guys didn't like each other and sometimes it wasn't personal, like Kemp and Darman. Apparently, from what I'm told, these are good friends personally. Just politically they hate each other, which sounds silly, but they just violently disagreed on a lot of a stuff and on style. But as far as being neighbors and friends and going to cocktail parties, they've been friends for 20 years. They just had violent political disagreements. So it wasn't always personal.

Strong: So in those meetings with the President—I just want to follow up—were you going in to ask Bush for a decision? "We have two or three options we can go with on this." Or were you

going in to mostly brief him, "This is where we now stand on Medicare policy."

Scully: Lots of different things. The most common meeting, which we had three or four days every December, was we'd do the budget. The departments would send their budgets over in September, then we'd fight with them between September and my staff would fight with them or send little letters back and forth about stuff between September and November. Then in November I'd sit down with the Secretary, the Deputy Secretary, and hammer out what they really cared about, and 99 percent of the time we just agreed and that was the end of it and I'd just work it out. Occasionally the Secretary would feel strongly enough that they'd want to come sit down and fight with Darman.

Rarely, and in one case every year, the VA would appeal to the President. We never really disagreed. The VA, Ed Derwinski was the Secretary and he was a good guy and his deputy was a good guy, but they always wanted to create the perception they were fighting to the death for the VA. So I'd always work everything out and leave one or two issues that they'd go in and have a formal meeting with the President for and ask for them and they'd get them, that kind of thing. But I never had any of my departments appeal to the President except for the VA.

Every once in a while you'd get somebody coming in and you'd say, "I don't want to settle this with you. I want to fight with Darman." But once you got to the process, there were usually three days in December and January where Darman and the three of us would go and sit down and spend three, four, or five hours each day going through the budget with the President. We'd go through the HHS budget and Medicare and Medicaid and the policy and explain it to him.

Young: This was programs and the budget?

Scully: Programs and the decision and the budget and what we were doing. He asked questions and we'd explain it and occasionally he'd say, "I want to do more here and less here." The VA medical budget every year was—every year I'd get a call from Sununu or Darman, or one year I think it was the President, saying "Sonny Montgomery called again, we're going to put a billion dollars in the VA budget, right?" Sonny Montgomery was chairman of the VA committee and he was one of Bush's best friends. Every year he'd call up and say we need to increase the VA medical budget by a billion dollars, which is horrible policy, but after a couple of years I didn't even bother fighting it any more. It was just going to happen, so everything was different. The most intense time that I spent every year was on that, but there were a million other—

Strong: These sound like briefings.

Scully: It was budget briefings on the decisions, but there were millions of other issues where if they came up and we had a problem in the health care in our area I'd get called over and sit in on the meeting for half an hour and explain something. What did we talk about? I mean, there were tons of them. I was in a lot of them. I can't give you generalizations. I was in a lot more the last four months after Baker came in as Chief of Staff because Baker basically scrapped most of the White House staff and only used about seven or eight people, so I was involved in a lot of meetings at the end.

Shreve: Was the President one to ask probing questions, say, in those meetings where you were doing a little more explaining as opposed to briefing?

Scully: Yes, a lot of questions when he had something that he was interested in. He was interested a lot in NIH [National Institutes of Health] and cancer research and he was interested in some of the children's programs. He was interested in reading and—

Shreve: Medicaid financing? Not so much there?

Scully: He was not interested. He got very interested in Medicaid financing at the end. In fact, the only meeting he and Clinton had the last day was over Medicaid—

Shreve: Disproportionate share?

Scully: Medicaid disproportionate share. And he got involved in that because every Governor was calling him saying, "Why can't I get my $500 million?" He got pretty involved in that at the end. As I think I may have told somebody, it was the last day as I was going out and I brought my kids in to get my last picture and he said, "Why is [John] Engler calling up asking for $500 million? What's this Medicaid thing again? Explain—" And I said, "Don't give it to him. I've been holding off for two years." So he gave it to him anyway. But he got somewhat involved.

Sununu knew, and that was a really controversial issue, where there was a little program in Medicaid—I spent a huge amount of time on this for the last year and a half. The program was called the Medicaid Disproportionate Share [Hospital] Program, and some states in the South—Alabama, Kentucky, Tennessee—had found a loophole. Louisiana had found a loophole in the program where you basically could just have an unlimited budget churning and it was legal.

Just to give you the worst example, the state of Pennsylvania, their nursing homes and hospitals figured this out where they went to the Governor and they borrowed money from a bank, $500 million, gave it to the state for ten minutes, the state declared they had the $500 million in "matching funds," shipped it off to Washington, and under the law we had to match it. In other words, we had to send them $500 million and they could do that forever. It was phantom money. We were forced to match—if they came up and said here's a fund that we have to pay for an indigent care and we have the money in the bank, the federal government has to match it. We had to send them a check even if the money really wasn't there.

I remember driving to work one day when Bill Weld—the Massachusetts legislature had been in a huge fight for three months over how to solve their budget deficit. They had about a couple hundred million dollar budget deficit. They couldn't resolve it. They were in session forever, huge partisan fights. I was driving to work listening to NPR [National Public Radio] and I heard this press conference with Governor Bill Weld, saying, "We resolved our thing. We're going out of session, and by the way, we're giving an award, thousands of dollars, to this wonderful state bureaucrat, the director of the Medicaid program, who's found a way to solve our problem." And the problem was that they got it from the federal government.

They'd figured out the "DSH" [Disproportionate Share Hospital] program, and it spread like a

virus. These different Medicaid directors figured out how to do it under the law, because Representative Waxman liked it. He wasn't going to change the law. He thought this was great. This was a back door way of funding universal health care, and I found every creative way I could to sit on it and deny these grants to the Governors. They went nuts and Sununu, thank God who was a Governor, started getting all these calls: "Fire Tom Scully, he won't give me my money." I explained it to him and when he understood it, he said, "This is outrageous."

John Ashcroft who was then the Governor of Missouri and was the head of the National Governor's Association, he also thought it was outrageous, even though Missouri got a couple hundred million bucks out of it. Fortunately the two of them were friends and they both took the line with the Governors when they called up that you guys know this is bad news and you know this is rotten. They backed me up, but I had a multiyear death fight with a bunch of Governors. Governor [William] Schaffer, who was a friend of Bush's, was pushing for $200 million for a year and a half. He told the *Baltimore Sun* that I had signed off on it, which I hadn't. Somebody said I had, but we hadn't.

Shreve: On the provider tax?

Scully: That I'd signed off on the provider tax and I hadn't. I don't know why they said that. We didn't get in for another year, but anyway, I remember in September getting a call saying, "Well, why aren't we giving Schaffer his $150, $200 million?" I kept getting more and more and more pressure and people started calling me up, saying, "Schaffer's thinking about endorsing Bush if we'd just solve our Medicaid problem."

I held out until about two weeks before the election and I finally said, "You know, what the hell? We were going to lose anyway." So I gave him $150 million and I didn't believe it. I thought it was all garbage. I had talked to his staff and literally two days later Schaffer endorsed Bush, which I thought was disgraceful. He's a Democrat, but Schaffer endorsed Bush and he claimed it was because they got their Medicaid DSH money, which is—they were going to do it anyway, but they were holding out that they weren't going to do it until they got their Medicaid DSH money, but I can go down all the Governors.

I sat in Seattle in a conference room for two days in 1991 in the National Governor's Association meeting at Sununu's request and had probably 30 Governors come in and just beat the hell out of me an hour at a time about why they weren't getting their DSH money. And the policy was outrageous. The Governor of Alabama came in with a little speech beating me up for not getting their DSH money, and the woman who was his Medicaid director was an old Bush person. We'd gotten her the job.

Shreve: Was it Guy Hunt?

Scully: No, it was before Guy Hunt. I don't think it was Guy Hunt. It was the guy before Guy Hunt. He's a minister. This guy got in trouble for—But anyway, he came in, he read this speech and he's a really conservative guy. The woman who was his Medicaid director had been like a deputy assistant director of HCFA, and we'd gotten her job, and she'd said some vicious things about Bush not caring about poor people and the Alabama press and was really outrageous. So I

said, “Well, Governor, you want to spend about half an hour and I’ll explain to you how this program works? Because you’ll be outraged.” I explained to him how it worked because it was a totally outrageous policy. It was just theft from the federal treasury. At the end he looked me and said—Carol Herman was her name—He said, “Carol, is this way it works?” And she said, “Yes, it is.” He said, “You know what? I’m embarrassed that we’ve done this.” And he got up and walked out and she lost her job a week later .

Shreve: Was the norm in that program a state that—I know, for instance, in Louisiana typically it was a hospital that treated a disproportionate share of the poor and would receive up to 300 percent of their costs and then turn those moneys around to get additional federal match. Was that—

Scully: Well, there are a lot of different ways. There are about 6,000 ways to do it, but the bottom line is it was phantom money. Medicaid’s supposed to be a 50/50 match, like in California when they finally discovered it. The public hospitals in California, let’s say LA Public County Hospital, theoretically you’re funded by the LA County budget, so let’s say your budget’s $100 million year. Well, LA County usually writes you a check for $100 million and sends it to you at the end of the year and you’re a public hospital, right? Then you happen to apply patient by patient for Medicaid funds.

Well, what they figured out is instead of sending the check to LA County Hospital for $100 million at the beginning of the year, “Why don’t we send it to Sacramento, to the state, and let them hold it for a day?” So they get the $100 million and they say, “Well, we have a $100 million here that we’re going to spend for health care in California, and we’d like you to match it.” And we had to send them check for 100 million bucks to match it, so now they send $200 million off to LA County. See what I’m saying? It’s called intergovernmental transfers.

Shreve: And in poorer states the match is even higher, up to 70 percent in some cases.

Scully: Yes. In Mississippi it was 81 percent. It was totally outrageous and I had very little legal authority to stop it. Gail Wilensky at HCFA hated it too, and we did everything we could to throw up every roadblock and find reasons to deny these things. Finally we annoyed the people on the Hill enough that we’d slowed down enough of these grants that we worked out, and Waxman is a good, smart guy. He finally realized the policy was out of hand and we did put a cap on it. We finally cut a deal with 12½ percent cap.

Shreve: So he wasn’t fighting you tooth and nail at the end, then? He had relented somewhat? Henry Waxman?

Scully: Look, Henry Waxman did a lot of great things for poor people in this country and I have a lot of respect for that, but he didn’t ever finance it, so his first reaction was, “These cheap bastards don’t want to take care of poor people. If the states can game them and get special money, great.” But then the structure got totally out of control where some states that had done it got billions of dollars and others had gotten nothing, and he understood it had to be capped and the Governors understood it had to be capped, so we spent a lot of time in ’91. We worked out a compromise where we basically capped it and over a very long period of time phased it down. It

went from being a $200 million a year program in 1988 to $19 billion by 1992, and then we froze it and I think it gradually shrunk down. It's about $16 billion now, so $19 billion out of the Treasury.

Young: Sounds like Darman—

Scully: By the way, Darman, chickenshit that he was, this is a very tough political issue and this was one thing he never even got involved with. I told him how bad it was at the beginning and he said, "Go out and stop it." Once I started getting Governors calling up and beating the hell out of me, he disappeared.

Young: That's what I was going to ask.

Scully: Sununu, thank God, got all engaged it and he stuck up for me and really saved me.

Young: As a former Governor?

Scully: Well, he understood it and his state had done a little bit too, but once he understood the substance he dove into it. But Darman at that time had started getting controversial, and the Governors, a bunch of them, were out to get me and were very upset about it. Thank God Sununu stuck with me, because Darman said, "This is outrageous. Shut this thing down. Sit on it." And I did, and I got in a lot of trouble, picked a lot of fights. Turned around to see where he was to back me up, and he wasn't there. He admits that he wasn't there. It got a little too hot.

Young: So he was a tough guy to work for then?

Scully: He was OK to work for. That was the only example I can think of where he did that. And I gave him a hard time about that and he kind of said, "Hey, look, this is getting too hot. Let's go ahead and sit on it." He wasn't sticking up for me. And it was good for me because I had to work with Sununu on that.

Young: So in that case you were kind of the lightening rod?

Scully: I was very definitely the lightening rod.

Young: Well, lightening rods have to be good.

Scully: Well, the reality is most of the people would scream and yell at me, but very few people could justify the substance of what they were doing other than the fact they wanted the money.

Young: The issue hadn't disappeared by the time Skinner came in, had it?

Scully: We capped it in 1991, statutorily in December '91. It was the last thing we did. I remember we had a big conference with Waxman screaming and yelling. We basically had gotten to the point where we'd slowed enough of them up and enough of them were upset about it that we basically said—some states had already had these huge programs, were getting huge

amounts of money and others were upset, and so we had a fair amount of leverage.

We spent a lot of time in 1991—the last thing done legislatively in 1991 was to put a cap on disproportionate share, where no state could get more than 12½ percent of their revenues from disproportionate share. Some states were up around 25 percent of their Medicaid revenues and others were at zero, and so what we basically did over a long period of time was we phased everybody down to the same level. That took some of the heat off.

Then there was a definition of the states that hadn't done it—how they got in and got more and how they got evened up was a big issue, so state by state with Michigan. I had a huge fight with [James] Florio on New Jersey and Schaffer in Maryland. State by state, the people who were trying to get into the program and catch up came in and had big fights about how fast they could get in and how fast they could get their money, so it was still an issue, but it was nowhere near as big an issue as it was early on.

Young: Was the President involved in this issue at all?

Scully: Yes, because the Governors would call him and raise hell.

Young: And so he would back you?

Scully: Yes.

Young: More or less?

Scully: Yes. He would say, "Look, somebody called me." And I'd look into it and talk to him call back and say we're not going to do it . But Sununu was strident about it, thank God, so I never really got to the point where the President raked me over the coals for it. I think if you asked the President about Medicaid disproportionate share, he'd say, "I remember a bunch of Governors calling me and asking me what it was." I remember getting calls—what was the guy's name—Chuck Haytaian, who had run for the Senate? We had some Senate race going in Jersey and I remember David Bates and all these guys calling me.

I'd get calls from around the country, depending on where he was. Somebody would hop in the car with the President and beat him up and say, "How come we're not getting our money in Medicaid? Explain this to me again." And every three weeks I'd be on the phone with somebody in the motorcade explaining what the hell Medicaid Disproportionate Share [Hospital] was and why we shouldn't cave. Nobody ever really caved. We only caved at the end.

Strong: Now, did that issue get reasonable news coverage?

Scully: Very little in Washington. Huge in the states because it was a big piece and every Governor's state budget was balanced on it for a couple of years. It would be very hard if you went back to 1992 and read the newspapers in any state capital in the country not to find this issue as a central budget issue in every state.

Shreve: And not only balanced, I would guess, but I know in a lot of poorer—

Scully: Well, Indiana's entire budget was dependent on it.

Shreve: Poorer southern states, they expanded programs on the basis of getting these moneys, and if they were good about it, they did it in health care. If they were not, they did it in highways and you name it.

Scully: Well, Tenncare, which is a very worthy, wonderful program in Tennessee for Universal Coverage in Tennessee, was funded 100 percent out of this program, and I thought Tenncare was great, but I fought it for a couple of years and slowed it down and had huge fights with the Governor and David Manning, who was his finance director down there, over it because they were funding it, but they were funding it out of their Medicaid DSH program. It's wonderful to have universal coverage and it's wonderful to do all this stuff, but if you're doing it with federal dollars that weren't supposed to be used that way, that's not the right way to go. I mean, Oregon, for instance—Tenncare at the universal coverage and they didn't have the DSH program. Oregon had a very tough, nasty debate about how to do a health plan, which was very controversial, and I happened to support it and we never approved it.

Shreve: Prioritization?

Scully: For other reasons, but they sat around and said, "Here's the amount of money we have and we're going to prioritize it and we're going to split it up and have a rational policy debate about how we're going to spend our health care money." Which was tough and miserable and I thought it was very good public policy exercise. Tennessee said, "We want to have universal coverage and we don't know how to prioritize it, so why don't you just give us the money?" And they got it. They created the Tenncare program out of Medicaid DSH money. At least they used it for health care. New Hampshire used it for road building.

Shreve: Were you able to bring other health care policy judgments to bear here, besides financing problems? For example, one of the things that was clear to a lot of folks regarding the DSH program was that to be eligible you had to extend care on an inpatient basis. That's how you qualified, yet the health care world was moving more and more toward an outpatient type model. Did that play any role?

Scully: I don't think it was the case. I remember in the case of some states with the state legislatures, but that wasn't required on the federal level.

Shreve: Not all—

Scully: Some of the states might have said—Some states, Nebraska and Kansas for instance, had great detailed debates in the legislatures about this and decided it was unethical and didn't do it, which is pretty amazing. We're probably getting too tied up in this issue, but I don't think there was a requirement outside of state legislatures saying they were trying to limit who got it. For instance, a lot of the psych hospitals really abused it, and some states wanted to shut the psych guys out, which is why they made it inpatient. But theoretically, you didn't have to do anything

except say, "I've got a check in my hands for $10, I want $10 from you." And it was pretty hard. We came up with a whole bunch of reasons why we wouldn't give it to them, but usually when we got sued we lost.

Strong: I want to come back to something you were saying earlier and something that is very difficult for scholars looking at the Presidency to figure out. How much of Presidential behavior should we attribute to personality of the central office holder? How much should we attribute to the staff inner circle? How much should we attribute to the broad political structure, like divided government and hardly any Republicans on Capitol Hill? It's very hard to attribute explanations among those alternatives. For instance, I'm sure you're right that Bush was reticent about going public and claiming credit, and that was part of his personal makeup, but if you're going to get work done with Democrats on Capitol Hill, you can't do that very often anyway. They're going to stop making deals with you if you're going to step forward and claim all the political advantage.

Scully: That's true. However, there's a difference.

Strong: And again, if you have the kind of the personality Bush did, it may be very useful to have a staff member like Sununu and it may not be a question you can talk to us about but it would be very interesting to know why he made that choice and whether or not there was an intentional balancing of those kinds of personal characteristics.

Scully: I think a lot of people were surprised that Sununu got picked because I forget who we were were expecting on the campaign.

Strong: They were expecting it to be [Craig] Fuller, weren't they?

Scully: That's right.

Strong: And he's a very different person.

Scully: Totally different. Well, you've got a bunch of question there. One, I could say that on the press thing, you certainly can't do deals with Democrats if you're out there taking credit and saying they're a bunch of jerks, which is part of the problem President Clinton has, now that things have gotten so partisan. But to stand up there and say, "I did all this and they didn't do anything—" You're not going to get many deals with them. One of the things Reagan did well is stand up and say that it was wonderful working with the Democrats on this compromise and Tip O'Neill's a great guy—but the reality is most Americans don't know who Tip O'Neill is and they know who the President is. So even if the President's standing up there giving them credit, he has 20 million people watching him. The President could be magnanimous and share credit with a bunch of anonymous Congressmen nobody knows, and still get a hell of a lot of attention.

But you at least have to get up there and try, and I'd say that for the most part President Bush wasn't even that conscious of getting up and taking credit and even saying we both deserve credit. Because the reality is if he got up and said, "We have a wonderful deal and we did this, and it was great working with the Democrats and Dan Rostenkowski is a great guy," probably 4

percent of Americans knew who the hell Dan Rostenkowski was. So by virtue of doing that, the President gets more credit anyway because the President gets much more press attention, but I just don't think we were that good at even standing up and making people aware of what we were doing.

For instance, childcare is one of my pet peeves because I worked on it for two years. If you went back and looked at the nightly news, the biggest domestic policy issue in 1989 was childcare, and we spent a lot of time and worked out a very good, I think, very conservative, voucher-oriented compromise in 1990 as part of the budget deal and it was a huge domestic policy issue for a year and a half.

We got 90 percent of what we wanted, worked out a great deal, created a huge new childcare program, and who knew about it? Nobody. We never got *any* credit for it and still haven't gotten any credit for it. Or an earned tax credit that's tied to childcare. There's a supplemental credit that's tied to childcare and there's about a $7 billion a year grant voucher program for the childcare development block grant that was basically done by Chris Dodd and me and with President Bush and Sununu intensely involved in every word of it. It was arguably a fairly significant social policy development and nobody ever took or got any credit for it that I know of. Did anybody ever talk about it? If you went back and looked at the *NBC* [National Broadcasting Company] *Nightly News*, I'll bet you would see that during '89 there were probably 20 or 30 segments on childcare.

Young: Again, looking at it from the outside in, Bush was reticent. As you said, you don't have to claim all the credit, but Ronald Reagan got up there and said the person who really helped on this, his name is Rosty [Dan Rostenkowski], and he gave the billing. But, of course Reagan, you're quite right, was getting the credit. Was it that kind of reticence that he just didn't want to stand up on camera and do that?

Scully: I think Ronald Reagan was reticent too. I think the difference is, and again, who knows who's going to see all these tapes, so I'm probably getting myself in deep trouble. I forget the guy's name who worked for Ronald Reagan. He went to jail. Michael Deaver. Reagan had a Michael Deaver out there saying every day you need to do this and this and this and highly engaged in the senior staff who thought about presentation.

I don't think Ronald Reagan was necessarily a guy who thought about taking credit, but he had a guy out there pushing him and doing the events and saying, "This is what you've got to do," and it's part of the strategy every day, and I don't think we had a guy in the White House at that kind of level who was engaged every day and thought every day, *How do you present this to create the image to the American public?* I just don't think we had that. Sig Rogich was kind of in and out for a while. Dave Demarest is a terrific day-to-day staff implementer, but otherwise—

Young: So the President himself did not think that out?

Scully: We didn't have an advertising firm taking care of the President. I think Ronald Reagan did and I think Clinton does.

Strong: He was also higher in the polls than Ronald Reagan his first couple of years.

Scully: Yes, and we were all happy and thought we were doing great.

Strong: Maybe you don't need that.

Scully: Maybe we didn't need it.

Strong: He was traveling more than Ronald Reagan was. He had a happier family to present to the American people than Ronald Reagan did.

Scully: And he was very popular. It's hard to argue with success.

Young: So that's another factor you're looking at from the outside. Maybe they thought they really didn't need to do this until the going got tough.

Scully: And by the time the going got tough, there wasn't anybody in a position to say, "Let's go do it." You asked about Sununu being a tough guy. I liked Sununu. Sununu made decisions. He made things happen. A lot of people didn't like him. Why did Bush lose? I think a million reasons, but the number one thing that we lost the election was when Sununu left in December because Sununu made decisions and he made the trains run on time and there wasn't any question who was making decisions. Whether he made the right decision or the wrong decision, it's important to make a decision and he made decisions.

Skinner's a great guy, but for six months we were in free-fall and nobody made a decision on anything. All these competing factions with the campaign, with [Fred] Malek and [Robert] Teeter, who were also nice guys, and Darman and Skinner fighting, and there was no one person who clearly was in control and could make a final decision on anything. It was total paralysis from December—I'll bet Sununu got fired about the first week of December. From then until when Skinner left—it was abundantly apparent by June first that Skinner was going to leave—the issue was just when Baker was coming over, but think about it. That's a short period of time for a Chief of Staff to crater, and he had totally cratered by about April and there was a complete free-fall. People may have disliked Sununu, but that wouldn't have happened if Sununu had been Chief of Staff. You may hate him, but he got things done.

Young: Darman wasn't concentrating on that problem of the administration. He was concentrating on the Skinner problem.

Scully: Well, Darman was getting pounded at that point for the budget deal and Skinner—Darman was very close to Sununu and then Skinner came in and—

Young: Made that announcement—

Scully: About Darman being a nice young man who was not going to be very involved. So Darman basically spent a lot of time trying to undercut him, which was unfortunate.

Masoud: At that late stage in the game, when Darman is taking all this heat for the 1990 budget and you're in the reelection season, could the President going out and speaking to the public and trying to tell them why we made this deal have helped at that late stage?

Scully: Yes, I think it could have helped. I don't remember when the President apologized for the budget deal, but it was late in spring or early in the summer. I think if he had handled it differently and said, "Listen, you have to make tough choices." Sending troops into Kuwait was a tough choice. Sometimes you've got to do things you don't like. That was a dangerous choice. Oh, I thought the day we did that—Iraq—I thought it was nuts. I thought we were going to be in another Vietnam. I don't do foreign policy, but I remember sitting there that morning when they announced they're sending troops in and I thought, *Oh, my God, we're finished*. He could have said, "Look, I didn't like raising taxes. It was tough choice." He got some advice that the best thing to do was apologize, and I think it was a mistake.

Masoud: Who gave him that advice? Was it Darman?

Scully: No, Darman would never give him that advice.

Masoud: What advice did Darman give him?

Scully: I'm sure Darman was fighting to the death, if I remember. Stay the course and say we did the right thing.

Young: That's what Ronald Reagan did.

Scully: And my guess would be it was probably the campaign guys. It was probably Charlie Black and Malek and Teeter who were all grasping for things to turn things around, and were trying to throw everything out that they could, but things weren't that—the other thing people forget is that, and I went over this in my talk before—it wasn't that Bush panicked and thought he was going to lose. He didn't. Everybody else panicked.

The other thing that people forget is that in June, I could go back and look in the polls, but I'll bet in June of '92, if you looked at the polls, it was probably 29, 30 percent Bush, 27 or 28 [Ross] Perot, and 24 or 25 Clinton. At one point we had had written off Clinton and we were running against Perot and we thought Clinton was gone. That was late. That was May or June. Things changed a hell of a lot. That was a wild year. There were a lot of gyrations back and forth and there wasn't anybody at the White House who had their hand on the wheel driving the campaign, but there were a lot of variables in there. Clinton was not doing well in June and Perot was this whole huge new factor. We all thought we were running against Perot, which screwed up the summer and because everybody just kept taking shots at Perot and at the same time Clinton was building strength and Perot was getting madder and madder at Bush and it turned out, they basically—both Perot and Clinton—were running against Bush.

Shreve: How close were campaign folks watching the economic indicators during that year?

Scully: The relationship between the White House and the campaign was—not that the front

people—we were all friends. Teeter is a friend of mine. He's a great guy. I used to work for Fred Malek, but it's just a problem, and it's amazing to me. Clinton should get huge credit for it. I think I said something about this. The fact that when I watched the total disconnect I was pretty engaged in most of the major policy going on in the White House ring that period, and it was like the campaign was working for another country.

I worked in the campaign in '88 and it was a great, fun experience and in '92 we had the campaign people down the street and they kind of came over for a very formal meeting periodically, very little discussion of what was going on between the campaign and the White House. Total disconnect between anything we were doing on the Hill or in Washington versus what they were doing on the campaign, and we all knew each other. I knew all the senior people working on the campaign, but they just didn't coordinate very well. Big fights about who was going to go on *Meet the Press* and who was going to be representing the administration's position.

Young: What about campaign themes? Did you discuss these and the relevance of policy work in the administration?

Scully: I didn't know there were any campaign themes.

Young: Well, that's part of the question.

Scully: Yes. I don't think there were—

Young: What were they talking about it? What was on their minds? What were they thinking of, the campaign people?

Scully: Not much, from what I could tell. I think it was a very poorly run campaign, and I liked those guys. Fred Malek's a really good guy and Bob Teeter's a good guy, but they aren't really—

Shreve: Dominated by poll watching and breaking down those kind of things, or—?

Scully: I just remember that they'd have a theme every week. It wasn't really poll watching. They just never seemed to catch the right wave at the right time and they just never seemed to do anything right. I remember health care, believe it or not, which you'd think was a big issue. If you went back and looked at health care, we really started planning on February sixth. Gail Wilensky, who had come over to the White House probably in April, and I were pushing and pushing to do a health care event.

We had one day at Johns Hopkins in May where we got about 500 health care leaders together and had a big push, a health care speech, about our plan and how good it was. It was a very good plan, even though nobody ever pushed it and they never ever talked about our health care proposal from the day it came out. The President made a big speech in Baltimore. Basically Gail and I wrote it with the speechwriters. President Bush didn't get into it. Nobody pushed him to get prepared for it. He gave a very dry, boring speech, didn't make any of the nightly news, didn't

get any attention at all, so everybody in the White House said, "Health care's not an issue, forget it." The next health care talk he gave was in October.

Think about what that says—from February sixth to October he gave one talk on health care and talked about his plan once. If you look back at Clinton's health care plan, he came out on October 23rd with a two-page health care plan that was completely bogus by any account now, but because Bush had left the field totally vacant, he came out and said, "I have a health care plan. George Bush's plan's a joke and I'm going to do this thing for universal coverage."

Clinton got beat up in the Democrat primaries for not having a health care plan. Kerrey and other guys beat him up and he really didn't do much on health care until October. He put together—he didn't, but they had a little bipartisan group. They got a former Republican guy from the [Richard] Nixon administration, Stu Altman, who's a nice guy, a friend of mine, and three or four of other guys—Ron Pollock from Families USA and they put together this little rump commission that reported that Bill Clinton's health care plan was great and George Bush's was a joke. They had a press conference and all of a sudden for three weeks the press all talked about how Bill Clinton was going to reform health care and George Bush doesn't have a plan, and we got caught totally off-guard. It was just unbelievably frustrating because we couldn't get anybody to focus on it.

If you went out and asked people today, "What do you think is one of the major issues of the 1992 election,?" I'll bet a lot of people would say health care was, but if you look before October 23rd, it's nowhere to be seen. Absolutely not even on the radar screen. Clinton didn't talk about it. Bush didn't talk about it. Nobody talked about it, and I'll bet you if you ask people if they think health care was a big issue of the '92 election, most people will say it was. It wasn't at all. It was our fault. We could have made it a big issue. We had a good plan and Clinton had nothing and we sat on our butts and did nothing until it was too late. Does that make sense? Would you have thought that health care was a big issue in the '92 election? It wasn't at all, especially since Clinton then took it off and made it a gigantic issue in the first year of his administration.

But his health care plan, you can look. I've got it here, it was a two-page outline that came out in late October, but the way they handled it, PR-wise and the setup they had—this little commission they set up, a bipartisan commission to analyze this new plan of Bush's—was brilliant. They did a great job and they cleaned our clocks.

Shreve: And his surprising success at that point may have led to the overreaching of the eventual proposal.

Scully: Yes, because in the last month of the campaign a lot of the debate was about this great new health care reform plan that Bill Clinton was going to have, which there was no plan at all.

Young: What about the '88 campaign? That was a successful campaign.

Scully: That was a great campaign. It was very focused and was a lot of fun to work on and nobody had White House-itis.

Masoud: How were they run differently?

Young: Well, I don't know about the Vice President's staff and Bush was Vice President and running—

Scully: The Vice President's staff is a lot smaller—Vice President Quayle's staff. The Vice President's staff is a lot smaller. They don't really have any day to day responsibilities other than getting—

Young: But was there still this difference between the people doing the Bush first campaign and whatever people he had—

Shreve: Roger Ailes you mentioned earlier, I guess.

Scully: Baker and Atwater were running the '88 campaign and I don't know who was running the Vice President's office back then. But David Bates was probably over there and I think probably Pete Teeley was in the press office, but they worked much more intertwined. I don't remember any problem with the Vice President's office at all, but clearly, the focus point of getting anything done in '88 was the campaign. Vice President Bush was getting elected and the campaign was running everything and it was a totally focused, energized effort. We had a ratty, nasty building on 15th Street and people were packed in like mice and we all had fun and we all worked hard and nobody had an ego. It was just a totally different thing, whereas now—

Young: What should have been done in your view to overcome this problem of the disconnect between the campaign staff? Was it a question of the talents involved?

Scully: There should have one person in charge instead of five or four, and I think had Jim Baker—and I don't blame him for wanting to be Secretary of State—if Jim Baker decided to come over in February and become the Chief of Staff and the campaign coordinator, it would have been a totally different area. He would have been in the position of unquestioned authority and he would have been the guy. But instead you had Charlie Black and Bob Teeter and Fred Malek over at the campaign of relatively equal stature to Skinner, who was of relatively equal stature to Darman. It was a Chinese fire drill.

Young: And Lee Atwater wasn't around either?

Scully: He'd died by that time.

Masoud: Watching that David Frost interview that you brought up—

Scully: Oh, if President Bush, by the way, thinks of it this way because he was—When you're President, even as nice as he is, I'm sure everybody was delightful and lovely to him and presented a totally united front, but if you watch it from below where I was watching, it was chaos.

Masoud: I guess this was in hindsight but he talked about how the Clinton campaign was so

effective at PR. He said they had those young Turks over there, the war room, et cetera.

Scully: But we had that in ’88.

Masoud: You had that in ’88 and he must have seen some kind of difference. Did he say, “Hey, guys, it’s not working the way it used to work”?

Scully: I’m sure he was frustrated, but that’s part of his good staff work. Now if he made a mistake I would say that maybe he should have had one person like Baker. Even I got involved in the full campaign later in ’88, and there was no question that when Baker came in as campaign manager, even Atwater became a clear number two. Baker was running the ship, period. There wasn’t any question about it. And that probably I would say, in hindsight, from my point of view, was his biggest mistake. When you’re the candidate and you’re out on the road giving speeches and doing TV and you show up where your staff tells you to go, you don’t sit around the office and say who’s in the war room. That’s what your campaign manager is supposed to be doing. In ’88, you had a lot of that.

I knew George Stephanopoulos really well when I worked on the Hill. He’s good guy. I knew a lot of people who worked for Clinton that I was jealous of. I mean, they were having fun. They were doing all this stuff you should be doing on a campaign. It was frustrating as hell to watch because we could have done that but we weren’t putting the right people on TV. If you look back at TV talk shows in 1992, you had George Stephanopoulos and Paul Begala and all these young guys on there talking and debating. Charlie’s a neighbor of mine, a nice guy, but Charlie looks like a 55-year-old country club Republican as does Fred Malek and as does Bob Teeter, and that’s what we had on. They all these young college-student-looking guys on.

If you went back and looked at ’88, we had a bunch of different people—Debbie Steelman—and you pick. If you were just crassly looking and saying how do we get President Bush reelected, you should find two attractive, smart young women and two attractive, smart young guys and stick them on the tube as surrogates for Bush when he’s doing it himself, and that’s what Clinton did. We didn’t do that. We had a bunch of fat old Republican politicos who wanted to go out and do it because that’s what their egos wanted to do.

Bob Grady was one of Darman’s deputies everybody liked. He was great on TV and I would push him to go on and do these talk shows because he would have been terrific. He was at least as good as George Stephanopoulos is, if not better, but Darman would never let him do it. We used to have huge fights over it. I’d get in screaming matches with Darman and say, “Listen, God damn it, Grady ought to be doing this. He’s great on TV. We need to have some young new faces out there doing this stuff!” But these guys all with big egos and they wanted to go do *Meet the Press* themselves.

Masoud: So Darman wanted to do it himself?

Scully: Yes. I remember having big fights. It was a joke the summer of ’92 and the spring of ’92 between Teeter and Darman and Charlie Black, all these guys, about who should be doing the TV shows. I’d say, “Listen, we ought to have Debbie Steelman and Bob Grady and three or four

young people doing it." It's ridiculous and you could watch TV and see. It's like this year. If you want to name one thing the Republican Party should do this year, they should take Bob Barr and shoot him. It doesn't take a rocket scientist to figure that out. I mean, he personally has probably dragged the Republicans in the polls down by 10 percent because he's such a loser. We had a whole bunch of guys doing that in '92, but how do you go tell the guy that you're terrible on TV and you shouldn't be doing it?

Young: You just tell them, that's all.

Scully: Yes, I guess. Somebody's got to go tell him, and unless you have one guy in charge—you know, we had five guys in charge and they all wanted to do it and they all wanted to be the spokesman. If Jim Baker had been doing it, he would have just done it.

Masoud: But even when you had one guy in charge in Sununu, still press appearances weren't the administration's strong point. It had to have been more than just not having a guy in charge.

Scully: It was a lot of things. I talked about this before too. I remember sitting around, I don't know how much of this I went through because I've given different talks on this. We sat around. Clinton was smart and people don't realize, but before the 1992 campaign nobody did MTV [Music TV]. Nobody did the *Today Show*. Nobody did the *Larry King Live* show. Nobody did *Good Morning America*. That was crass and unpresidential and below the level of what was acceptable politics.

Clinton got hundreds of millions of dollars of free press all through the winter of '91 and the whole spring of '92 doing free TV. He was the first guy ever to do it and it was brilliant and it became acceptable. It wasn't until the summer that we finally begrudgingly started doing the *Today Show*. I remember, what's her name from MTV? Tabitha Sorensen used to call me all the time—I got to know her somehow. MTV was begging us to do it. I pleaded for us to do MTV because I could go home and watch MTV and see Clinton on it three times a week and she was doing all these interviews doing all this free press for him.

If somebody showed up and gave you a $50 million check and said you can have free advertising, would you not do it? So finally we very grudgingly did MTV on a train at the very end, and Bush didn't want to do it. It was badly done and Tabitha was pissed off by the time she got around to do it because we told her no 60 times and it didn't work out very well. Then I got the word that, "See, MTV's not worth doing."

Shreve: Obviously the dynamic of the campaign is far different from what you would do in the interim, but—

Scully: It frustrated me too because in '88 I was doing the TV stuff on the campaign. That was my job, and in '92 I was in the White House writing policy papers. All the people had changed. They didn't really know I'd done any of this stuff, so if I showed up and said, "You know, I think we ought to do x, y, z on the TV stuff," they're going to go, "What the hell do you know? You're our health care analyst. Why don't you go stick to health care?" So it was kind of frustrating.

Shreve: Is there something perhaps about the nature of the Press Secretary's office today that makes it difficult or impossible for that person to take on some of that role, pushing the President out?

Scully: Press Secretary's a different job. Marlin was terrific, I think. I think Marlin would probably say a lot of the same things I did. I think he was frustrated, but the Press Secretary's job is really day-to-day responding to the press thing. It's not a marketing job. That's a different job. Keeping the press happy, responding to the demands of the President's press needs, and Marlin is as good at that as anybody gets, although Mike McCurry's pretty damn good too.

Young: But there was no Marlin in the—

Scully: Yes, and I think Marlin would say they wished they'd had a Mike Deaver or a Roger Ailes out there doing that. We had a couple of substitutes, but again, I don't mean to be mean. Sig Rogich is supposed to be, but there was nobody at the level that came in every day and said, "This is great, to do x, y and z, but you know what? We need to do this event and we need to have this theme and we need to push that."

Shreve: You do hear, for instance, George Reedy telling Lyndon Johnson in the 1960s how to do some of that and orchestrating things, and so I guess what I'm saying is the job is now so difficult and time-consuming that that person can no longer do that. He's just on crisis duty answering the phone.

Scully: You can be very busy, especially, as you said, if you're popular and you're doing well and things are going well. You can fill up an awful lot of long days just responding to the daily crisis and not get into developing themes. I don't think—Reagan did a fair amount, but Clinton—I am not a big fan of President Clinton personally, but politically I think he's unbelievable. He's done a tremendous job. They raised it to a new height, and I don't mean that critically. They should be a model for every future administration. They think about presenting what they're doing and marketing it and selling it to people, and that's part of the job and they've done it a hell of a lot better than everybody else does.

Young: Nixon was actually the first, I think, to put a second person in there, call it a communications director. In addition to Ron, his Press Secretary.

Shreve: Nessen, Ron Nessen.

Young: Ron Nessen dealt with the Washington press and the other guy, [Robert] Finch from California, was the prototype of Mike Deaver. He'd do the work outside of Washington with the publishers, with the other groups, and the idea was quite explicitly to get over the heads of the Washington press corps and reach out to—

Scully: Well, you just reminded me. There was one guy who was very good at it but he didn't stay long—Dorrance Smith, who's a producer at ABC [American Broadcasting Company] News. My impression was they never really gave Dorrance a long enough leash because it's

important, aside from what Marlin does day to day—Dorrance had been at ABC News and knew a lot of the news people and just developing relations with those people and how to pitch a story and work on a theme, and how you get *Good Morning America* to do something on whatever your theme is every week, which Clinton seems to do.

Shreve: Then you've got to convince the President to do it, first off.

Scully: And to like it. It's just little things. I think I mentioned Katie Couric, who was in my class at UVA. She's an old friend of mine and I love her personally, but she didn't like Bush and she didn't like Marvin in college, which is where it came from. I would watch her on the news and it would drive me crazy because I knew she never liked Marvin.

We were in college together and she's been a liberal Democrat all along, but you know how damaging it is to have someone on national TV every morning for 15 or 20 minutes kind of sneering at everything you do and taking shots at you? It's brutal. It's just little things like that. It's not the Press Secretary's job to do that, but if you're the communications person out there thinking about how to get to know all the producers at NBC and ABC and CNN and make them happy and make their lives easier, we just didn't do a lot of stuff like that. You can tell the Clinton people do it every day.

Strong: Again, there's surely something you could do with better packaging and with better presentation, but isn't George Bush fundamentally a middle-aged, country club Republican? And the people running his campaign were in some ways in tune with him. They were people he knew and liked and had associations with for a long time and—Again, I want to press the question—is that really what we, as outsider lookers on the White House, ought to pay attention to? Look for those key staff positions. Look for those key staff relationships, and no matter who's in the White House, if there isn't anybody in charge, that's probably an administration that's going to be in trouble. Or if they're not presenting their image professionally and competently as an administration like Clinton's is, they're going to be in trouble. Or how much of it is really who that central office holder is?

Scully: Well, it's obviously how much is the President, but I think the staff and how it's set up can play to the strengths and weaknesses of that person in a lot of different ways. I mean, clearly I don't think it makes a whole lot of difference. I think Panetta was tremendous and helped save Clinton, but Clinton is a very strong, dominant guy who's getting up in the morning and trying to get involved in 30 issues and probably needs a Chief of Staff to slow him down. He's just a different person. From reading about Nixon, my impression is that maybe he was somewhere in-between.

But President Bush had a lot of things he really cared about. I really don't think he's just your basic middle-class country club Republican. He cared about things a lot and he got very involved, but the stuff that intuitively cared a lot about—foreign policy, defense policy, international security—he was revved up about that any day.

I remember sitting in the Roosevelt Room with a bunch of veterans' groups one day and he was bored to tears about VA stuff. Somebody asked about Israel and boom! It was like somebody hit

with a cattle prod. He woke up and shot into an incredibly cogent half-an-hour explanation of what was going on in Israel at that time, and it was great. He's a veteran, but he just didn't care about veterans policy that much. But if you got him involved and engaged in the debate about food stamps or electronic benefits transfers, which we got involved in one day—you had to stick something in front of him and he got interested and he cared a lot about low-income policy. He didn't wake up in the morning thinking about it, but it's not as if he didn't care. He cared about it a lot. He just didn't have enough people stick that kind of stuff in front of him I don't think he was disinterested or passive. His interest was in one area and you had to make an effort to get him engaged in other areas. And that probably didn't happen enough in some cases.

I think to some degree a guy like him needs to have a Chief of Staff in an area. He didn't need anybody to prod him. His Chief of Staff on international security was Brent Scowcroft, who was a very passive staffer because he didn't need to prod Bush to get involved in that stuff. He got up every day and wanted to get involved in it. But on domestic policy issues and things like that, you needed a guy like a Sununu to say, "This is what you've got to be doing," or "You've got to be thinking about this." He needed somebody to say, "These are the issues, what do you think?" I mean, he cared a lot about low-income programs and poor people's programs. It just was not his background and he didn't think about it unless you got him engaged, so to some degree if you have a good staff that sticks in front of you and forces you to get engaged, that makes a difference because it's not your nature to get up and care about it every day.

I don't think it's Bill Clinton's nature probably to wake up every morning and think about what's going on in Kosovo unless somebody comes in and sticks it under his nose. I may be wrong about that, but just watching him I don't think his background or his experience or his nature was that he cared that much about foreign policy unless somebody came in and said, "This is the President's job and you've got to get engaged on this." He'd probably do exactly opposite. He'd rather sit around and talk about refundable tax credits. Is that a flaw in his thing? No. That's what your staff is there to do. So the staff is important, and picking your staff is important. Would we have had a different administration had Craig Fuller been picked as opposed to John Sununu? I only knew Craig from the campaign. I think he's a great guy but I think he would have been a much more passive Chief of Staff.

Masoud: Baker and lot of other sort of strong aides were pushing him so that they could ride him and dominate him. That was the conventional wisdom.

Scully: That may have been somewhat true because Baker was his boss in the campaign. Fuller ran the road show and Baker ran the campaign. Baker, I'm sure, thought in his mind that he wanted to go be Secretary of State and still be Chief of Staff on the side, but the reality is I never saw any remorse from him once he was Secretary of State that he ever wanted to get involved. I didn't see much of him. I saw him in Cabinet meetings, but I never got the impression that he had a strong desire to mess around in domestic policy stuff. He seemed to be perfectly happy to stay in foreign affairs and everybody leave him alone, and he got dragged back in to the White House kicking and screaming, so he may have initially wanted to do that.

He never got cut out. Any time he wanted to get engaged in anything he did, he just didn't want to much. He was clearly the one person in the beginning that even if Sununu had wanted to cut

him out, there were totally different rules for [Richard] Cheney and Baker from the beginning. Every Cabinet officer was here. Cheney and Baker could get involved in anything they wanted to from the first day, so when I talk about Sununu and Darman dominating everybody and getting what they want, when it came to Baker and Cheney, there were totally different rules. Even on the budget. We would basically just brutalize all the departments and do anything we wanted. But when you got into the State Department's budget negotiations, when it came to State and Defense, it was, "Well, Dick, what would you like?"

Young: So this question you were raising and looking for answers to. you might have two different—you'd have a foreign policy activist President and then you'd have the same person, the same President, but in different—

Scully: I get the impression your question is maybe President Bush was just kind of a passive country club Republican and didn't care much about other than foreign policy. He got pretty engaged in lots of stuff. He cared a lot about tax policy. We sat around and had long debates about—I wasn't the tax guy, but a lot of times the Medicare and health policy, because of the way reconciliation bills worked, got into the tax policy, and he got intensely engaged in those debates a lot.

Young: I think one of the problems is that we always acknowledge that we're asking questions that people on the outside would ask, not necessarily based on any conclusions we've reached, but when you don't see a President highly visible in the public eye, it doesn't get reflected in the briefing book. You mentioned that if you look in these newspaper articles, the ones on that important part of health care policy, what was it. Almost all local newspaper articles. It's not making any national news. As you said, it's something very important to the Governors in the states. Not that that's a dead issue, but when a Presidency goes into history leaving a very visible and well known record in national security, and not being very visible elsewhere, the record that his administration has—the successes, tend to get—

Scully: I agree.

Young: Well, this must mean we didn't see him there on the scene of this policy.

Scully: You walk into the Bush Library and you see 17 walls for the Persian Gulf and foreign policy. There's a little plaque on the wall that says, and by the way, he was President of the United States for domestic policy. No, I understand. I'm not sure it's right. The other thing you've got to remember, too—I mean I wrote four budgets. Four or five of us basically wrote the budgets, and I wrote all the entitlement and welfare and education stuff in those budgets.

After a while the reality is the President has absolutely no impact on the domestic policy without Congress. So when you propose stuff every year and if you go back and look at what happened on the Contract with America, a lot of stuff that happened in the first Republican Congress, 99 percent of that stuff was in Bush budgets. The Democrat Congress didn't do it, understandably so, but when you're the President and you propose radical new reform in every department every year and nothing happens, after a while you kind of bang your head against the wall for a while. It's human nature, you're going to say, "Well, I can't accomplish much here, so tell me what I

can do, guys, and we'll put out some executive orders and after that we'll go on to something else."

Young: One of the purposes of the oral history is to get into the record that people can see this dimension or these aspects of the Presidency because they're not going to get it from the public accounts.

Scully: If you go through this book, I could probably go through—

Young: I want to talk about that book, but I also want to say it's almost time for us to break for something to eat. The President also has a veto.

Scully: And we vetoed a hell of a lot of bills.

Young: Yes, exactly. That's part of the congressional relationship too, the power to stop or to strike a hard bargain sometimes.

Scully: Well, our leverage for getting anything done was if they wanted to get something done they had to—We could threaten to veto it. We did a lot of stuff on higher education with Senator Kennedy. There are a lot of examples where if they wanted to get things done in higher ed reform or other things, we'd say we're going to veto it, so they had to sit down and talk to us. Elementary and secondary education reform—There were a lot of things that that we got done because we vetoed a couple of times.

Shreve: Do you think he had a little more leverage on the tax side of the fiscal policy equation as opposed to spending side? Having to deal with fewer people, fewer committees, et cetera?

Scully: No, we had a lot more leverage on the spending side. Because the tax policy, once it got locked in, cutting taxes was hard. Raising taxes was hard. Once we got through the '90 budget deal we had a lot of leverage on the spending side. It wasn't sexy, but on appropriations bills and other things we had a lot of leverage on all kinds of stuff, so the '90 budget deal gave us leverage.

I mentioned that when Hurricane Andrew hit Florida and Andy Card and I were the Hurricane Task Force, I went down there and spent a three weeks. Andy spent like two months down there, and when I came back we had to push the Florida delegation and the Hawaii delegation—people forget, but the hurricane hit Hawaii shortly after that—wanted like $25 billion in emergency supplementals. Prior to the budget deal they would have just passed it and said forget it, but because of the leverage we had and the way the budget rules worked, we were up all night with the appropriations clerks and we basically could say we weren't going to sign it. We're going to veto it. It's emergency spending. You've got to get x number of votes to do it. You can't do it. And we had the leverage and we ended up getting a $13 or $14 billion package, but in prior years, they would have just ignored us. So we had a lot more leverage on the spending side as a result of the '90 budget deal, but it wasn't particularly sexy.

I think we had a lot of press, but when you have as few votes as we did, it's hard. If you

remember what a huge minority we were, especially in the House. We were virtually irrelevant, and the reason Gingrich got to be so popular and important was because he was the guy who got most frustrated and said, "Hey, look, we're totally irrelevant anyway. Why bother? Let's just throw bombs," which is how the meanness got started. I remember when Ed Madigan, when [Robert] Michel made it clear he was going to retire in the whip race right when we first came in '89, between Ed Madigan, who was a wonderful, middle-ground, country club Republican from Illinois, just like Bob Michel Jr., and we all wanted him to win because he fit the Bush mold and ran against Gingrich, and Gingrich won by one vote. We said, "Oh, my God, this is going to be terrible, scorched earth." And actually, Newt's a great guy, but it *was* scorched earth. I mean, his attitude was, *They don't pay any attention to us. They ignore us. They treat us like hell so let's just nuke them.* That was his approach, and it succeeded.

Young: For a period, yes.

Scully: Well, yes, it's unfortunate because he created a lot of partisanship. On the other hand, again, my political bias, the President can't do much about domestic policy and spending. Congress has total reins on that and anybody that thinks you'd have gotten a balanced budget or a surplus without a Republican Congress is nuts. It just never would have happened.

Any Democrat who's honest will tell you that there's not a snowball's chance in hell you would have had any kind of the fiscal discipline you've had if you had a Democratic Congress. So Gingrich did a lot of wild things. The fact is, the combination of the new budget rules and a Republican Congress coming in for four years and ratcheting down spending and doing big, big budget cuts all across the board at every program, even though they've hammered my hospitals—Medicare inflation went from 10 percent a year to minus 1.5 percent this year. That didn't happen by accident. Medicaid in 1992 was 17.4 percent inflation. This year it's 1 percent. There have been big, big policy breaks.

Shreve: What have the pharmaceutical companies done that everyone else hasn't? It seems like that's where medical inflation has kept right on running.

Scully: Medicare doesn't pay for pharmaceuticals.

Shreve: Right.

Scully: People will never remember 20 years from now—there were fundamental policy changes that have been huge. I feel terrible President Bush lost but the reality was, as far as the economy goes, it was a damn good thing because if President Bush had won, we would not have had a Republican Congress and four years of Republican Congress totally changed the spending trend of the country. I think some of their rhetoric was a bit much to take sometimes, and some of the other things they've done—

Shreve: And you think that's true, despite the '90 budget deal with the caps and pay-as-you-go provision?

Scully: Well, they went way below the caps. The Republicans structured caps and cut the hell

out of it and the ’90—

Strong: It’s a combination. You’d have to give some credit to the first Clinton budget.

Scully: Ninety-three.

Strong: Mainly Democratic votes.

Scully: Yes, and it was a modest—a little bit of tax, not much in the way of program cuts. A modest tax increase, but I’ll give them credit. They had the power to wipe out the caps.

[BREAK]

Scully: How do these tapes get used? You don’t show them to President Bush, I hope, do you?

Young: No, we don’t. The tapes are used—

Scully: Well, he’s probably the only person about whom I have consistently nice things to say.

Young: Don’t worry. You’re in control of your words here. The tapes go into a vault and are put on record. We’ll probably give them to the Library, but you are in control of the terms of access to those. What has happened on the earlier projects is it’s the edited version, the transcript which you have a copy of, the Library has a copy of, and it’s accessible under terms you work out with the Library, so it’s up to you. The tapes go into a sealed vault, I suppose, at the Library, but they have—

Scully: I just have to be nice to David, though, for evermore.

Young: David Alsobrook.

Strong: But he’s so easy to be nice to, though.

Scully: That he is. We were all up in Maine for the weekend.

Young: I’ve talked to him since then. He said he’d talked to you.

Scully: He got his boat ride.

Young: Out to the frigate.

Scully: That’s where I left him. I took my kids. He helped on the boat.

Young: Did you go out there?

Scully: I had my wife and kids and I brought him over to say hi to the President. Margaret Bush, Marvin’s wife, and the President were going out to the frigate up in Portsmouth, and David was

hanging around hoping—The President's such a nice guy, "David, you want to come?" And David about jumped out of his shoes. I haven't seen him since then, but they probably had fun, though. President Bush has a speedboat that he likes to cruise around in.

Young: The previous model is in the museum.

Strong: Is that right? There's a speedboat in there?

Young: A cigarette boat.

Scully: *Fidelity I* and *Fidelity II*. He drives the thing like a maniac.

Strong: I would have taken him for a wooden boat guy, but he's—

Scully: If you go up there, you'll see their house sticks out in the ocean, and in Maine, the water's very choppy. You get in that boat with him and he's got this little teeny harbor behind his house and as soon as he turns the motor on, he just guns the thing and it goes about 50 miles an hour and the waves are big, so you're sitting there. I was sitting in the front boat and I was just hanging on and Marlin Fitzwater next to me, our hands were white knuckles, because literally, if you didn't hang on, you were out of the boat and you're just going ba boom, ba boom, ba boom. He's going 50 miles an hour through these big waves. He's nuts.

Young: This is a side of Bush you don't see—

Scully: Completely reckless. I wasn't going to let my kids go on the boat.

Young: And David said he's an extremely fast driver.

Scully: Yes, extremely. Well, you ought to go. He's an unbelievably gracious, nice person. I'll bet you if you were up in decent weather he'll take you out in the boat and take you all around. It's a really nice boat.

Young: I don't know whether I want to go or not.

Scully: Not in January, that'd be nice and cold. You're going to do it in College Station—

Strong: I'm not sure that I will do any of that, but—

Young: We're hoping to have several sessions with him. That's what we're working for, rather than just one.

Scully: Who are the other staff people you're talking to? The people in the Bush Library, for instance, I probably had less personal contact than all the guys like Marlin and David Demarest and those guys because they saw a lot more of him and traveled a lot more with him than I did. That was a lot of policy. The White House staff tends to be a support mechanism, who on the staff goes in what motor pool and who goes in which cars and who goes on which trip and who

flies where and puts out what press release and there aren't a whole lot of people who do a lot of policy.

Young: Well, we're trying to get just about everybody.

Scully: From the White House staff or from the Library?

Strong: The White House staff.

Scully: Everybody from the White House staff?

Young: Well, not everybody, but—

Scully: The top level commissioned officer people.

Young: Yes, sort of senior staff and their deputies. All the Cabinet people.

Scully: It'd be interesting to watch all those tapes. You're going to get some different inputs. You'll probably find almost all of them hate Darman and Sununu, so I'll probably be the only one saying nice things about them.

Young: Don't worry about it.

Scully: Well, any time you get aggressive, dominant, mean, tough people it's going to happen, but they're effective as well.

Young: We had a moment about the veto and then we'll get into some other stuff.

Strong: I'm interested in finding out, since in the Constitutional structure the veto is the President's role in the legislative process and, particularly, given the historically weak Republican Party numbers that Bush had, who in the administration had authority to threaten vetoes? Was that a formal process?

Scully: People in the OMB. Well, generally what happens is there are levels. And you have to be a connoisseur to understand the levels. In fact, the appropriations committee, which was all Democrats, some guys are friends of mine. They gave me a Virginia Tech hat, which was for "Veto Tom," VT. I'd show up with the vetoes all the time and I was always threatening to veto their bills, but there was a process. There are a couple of different levels, and I don't see in the Clinton administration those things called Statements of Administration Policy.

Any appropriations bill, any major piece of legislation, anything scheduled for floor action in the House and Senate, we'd do a Statement of Administration Policy. It could be one paragraph saying, "This bill is fine," to 30 pages ripping the thing apart, and the first would say the President's senior advisors, the President would never threaten veto. If the President threatened veto in our administration, he did it by letter to the leaders, "I will veto this bill." That was like the ultimate threat, and that was done. I'd have to look back, but five times a year maybe, but he

would do that at the very last—"This bill's not being signed. Go back to the drawing board. It's not happening." But that would rarely happen, so for the first step you would basically say the Secretary of Education and the Secretary of Health and Human Services have recommended the President veto, and then the President's senior advisors have recommended that he veto the bill. That was saying the President would veto, and if they didn't believe you, then you'd send a letter from George Bush to George Mitchell saying this bill's going to be vetoed. If you want to send a bill for veto, great. Congratulations, but it's not being signed.

That rarely happened, and only when they just didn't believe you. You got a trend where we set up the letter saying Darman was the cop of this and then we have to clear it through Cabinet members or whoever's department it was and off to the White House before he sent it, There was a quite a process to do it, but we wouldn't threaten the senior advisors' veto unless we knew we were going to veto it and could sustain it.

Young: Who was tracking what was in the pipeline in Congress?

Scully: The legislative affairs office at OMB did it in coordination with Fred McClure's office, but one of the major things that the legislative affairs office at OMB did was they put all the Statements of Administration Policy so any bill that went to the House or Senate floor, regardless of how insignificant it was, got some comment. "This is a good bill, a bad bill. We support it, we don't like it, we don't care." Sometimes it was one sentence, but any bill that came to the floor for floor action got a Statement of Administration Policy and conference reports on it. But we never threatened senior advisors' veto unless—In fact, Darman used to play these little games because if he thought he couldn't sustain a veto, which means we eventually wouldn't veto it, he'd say the Secretary of Housing and Urban Development has recommended to the President he veto, because he didn't care.

Shreve: Code word for—

Scully: Jack Kemp thinks it would be vetoed, but it's not going to happen. So the senior advisors recommended veto, that meant that Bush had seen it and everybody had talked to him. It was cleared through the White House and not only would we veto it, but we thought we could sustain it because we didn't like to get overridden. I think we got overridden twice maybe and we were real serious about vetoes. We didn't threaten veto if we couldn't sustain it, and I can't remember what veto we got overridden on, but you guys probably know a hundred vetoes that were sustained. And we were deadly serious because it was the only leverage we had. We couldn't pass anything. The only way you got Democrats to deal with you, you'd say you guys want to waste six months writing a bill, do it, send it down and it'll be vetoed. If you want to work with us, maybe you'll get it signed. That was the only leverage we had.

Strong: And again to clarify—

Scully: That was a very seriously-taken process because my first job at OMB, I was responsible for that and it's primarily an OMB function, so even when I went on to the other job, anything that came up in my area, I made damn sure I knew what the votes were, what was going on.

Shreve: So Darman was always the clearinghouse for that?

Scully: OMB traditionally always had been, but Darman took it much more seriously than most OMB directors, I think.

Strong: And again, I just want to clarify—Bush would have signed off?

Scully: That would be the strategy. The senior advisor veto, Bush would sign off on every one. Was I in the room when he signed off? Sununu or somebody—and I assume Bush knew all about it, but senior advisors' veto was essentially saying the President will veto this bill. And we made that abundantly clear to the leadership. If it says senior advisor veto, they knew that. If you were on the appropriations committee and you got something that said senior advisor veto, it would be vetoed. It took a while. It was like [Ivan] Pavlov's bell—it took a year for them to realize that if we said, "senior advisor veto," it will be vetoed and they could do whatever they want. We're going to veto it.

We were really stiff about the policy for vetoes and when we threatened vetoes. I'll bet there weren't more than five or six letters the President sent out saying he'd veto a bill separate of that process, because the more the President would go outside that process to veto the bill, then it watered down the effectiveness of saying the President's senior advisors' veto. And it gave it a little bit of wiggle room there. If he had to, the President could say, "Well, I said I'd veto—" So there was a certain amount of code going on there. I think the Clinton people have kept that up pretty much. They still come out of OMB and I still see them and they're usually fairly long, detailed policy analyses—"We'll veto it unless you fix this. We won't veto it if you do this. This policy needs to be changed." It took a lot of work. There were two or three people that did virtually nothing but that.

Strong: And on the flip side of that, did the administration spend more time on signing statements for bills that the President was going to approve where they wanted to put an administration interpretation of new legislation or state administration policy?

Scully: No, except for when there was a legal spin to it. Occasionally we'd sign a bill and there'd be an argument about what was going to be meant, but I think you can probably ask Boyden [Gray] about that. Every once in a while Boyden would say, "Look, we passed this law, the conference report's not clear. We need a great debate about it." It was left intentionally vague, so we'd agree to sign the bill and not veto it and it would come to the White House and we'd make a big deal about what our interpretation was, hoping that the future court interpretation of the statute would—

Strong: So his office played a role in that, signing statements?

Scully: Yes. Actually Roger did a lot of signing statements. A lot of the signing statements were just window dressing, but when they got into serious legal differences where we would negotiate a bill and would intentionally leave something blank, open to interpretation, and we'd obviously want to put our spin on it, but I can't remember any major things that I've tracked since then that have had that. Some of the childcare stuff, because in some of the ways we did the tax credit and

the grant program about it's supposed to be carried out. But I'd say there weren't that many signing statements that were a big deal.

And then there was the enrollment procedure, where you formally send the bill down after the President signs it and there's a statement going along with that. So there was the signing statement with the press release. There was an enrollment process where you formally send it back to the Clerk of the House, and there were usually statements along with that too.

Young: You're right. That was the tradition. OMB needed the backing of the Bureau of Budget, but it also cleared all the essential Presidential clearing to all the legislative proposals as well as the budgetary proposals coming out of the departments and agencies.

Scully: And testimony believe it or not. We used to have fights over that. If somebody went to the Hill to testify, we had to review their testimony. They'd go nuts over that. But the veto, that was all our leverage, so that was a very big deal.

Strong: I had a question that's sort of similar to the book. If you're a student of the Bush administration, are there a couple of key speeches that he gave that you should read if you're interested in Bush domestic policy?

Scully: Unfortunately, probably not. This thing we put together, which Roger wrote, largely with a lot of help from various other people, and Darman didn't like doing this, if I remember correctly. We were getting accused in the spring and summer of '92—you know, what's your domestic policy? We put together this thing which Bob Zoellick largely put together. Roger wrote a lot of it. Just an accumulation of what we did, which is an agenda for American Renewal. You've probably seen this.

Bush gave a speech around that, saying, "This was my domestic policy. These were my priorities. If you read this, you'd probably get a snapshot of what we were trying to do." I think the fundamental goal, what we were trying to do with most of the domestic policy programs, was to pump money into the low-income programs, prioritize money for the low-income programs and take money away from programs that weren't essentially in some ways means-related, and try to make them less government grant-oriented and more tax credit, privatized, voucher oriented, so that the aid would go directly to people instead of through some government agency.

Thematically I would say that now Darman would say what we're trying to do is use tax credits more for income transfer rather than government grant programs because it's less efficient and we're trying to increase WIC and things like that for low-income women and trying to do more for—And he would say that that's good low-income policy and a guy like Pinkerton would say that's empowerment, so I mean, you could say the whole strategy was empowerment. It was. Some people didn't like that label. I thought it was a pretty good label, but we didn't use it very much.

Shreve: On a previously or existing more universal program like Medicare, I think there were some who would argue that well, you've got an adverse selection problem that's going to creep into the picture. Did you have to fight that?

Scully: In Medicare?

Shreve: Yes. Say if you did means testing with Medicare. Then you're bringing about a situation where the only people who might be able to afford the Part B premium then would be the wealthiest, and the rest of the folks are going to end up with more expensive coverage.

Scully: Well, where on the Hill would that be? I remember the argument. The argument on the Democratic side was that Medicare is a universal coverage social insurance program to the extent that you means tested it and erode the support of high-income people and they start dropping out, you'll erode the political aspect of it. Instead of the 37 million people, then you'll have somewhat lesser, which I always thought was silly. But the problem with Medicare means testing, which we proposed—and I'll tell you a story about that if you want, and I may have told this when I was down here—where we got yanked out of—Medicare means testing is great policy and great politics.

The reality is it's meaningless because there's 37 million seniors on Medicare, and if you do any kind of reasonable means testing, you're only going to hit about a million and a half people, and you can't set the level at 60 million, at least when I was there. You set the level at $60,000 a year and say above $60,000 a year we'll start the means test, you're at a million people. You'd knock it down to about $40,000, you're at 2 million, so you can talk about means testing and how much—but it doesn't raise any money. It's an insignificant amount of money. It's a matter of social policy. It sounds great, but the vast bulk of seniors have very little income. And a lot of them are poor. So means testing Medicare sounds good and it's decent policy because the fact is the average senior's getting a very good health plan and they're playing 10 percent of the premium and the government's paying 90 percent. It doesn't make any sense to have Frank Sinatra or Lee Iacocca, who were our examples back then, have a 90 percent subsidized premium.

The Democrats would argue that the whole concept of social insurance is getting everybody in, and if we start taking away the subsidies, then the rich people will drop out. My attitude is *who cares?* There aren't very many of them, but we shouldn't be subsidizing rich people. It doesn't save much money and even if it's a not good policy, even if it's relatively irrelevant because the means testing proposal we were going to put out was going to save like $600 million a year, which is a rounding error. It just was insignificant, but the concept of it, whether it's farm programs, whether it's tax subsidies, the federal government should not be subsidizing rich people, and my view of it was, we ought to means test every program.

There's no reason we should subsidize rich people for anything. One way to start is Medicare, which is the highest profile. Social Security is heavily means tested. Nobody ever talks about that. Your contribution to Social Security is the same your whole life, but your benefit is significantly different depending on what your income is, so nobody talks about Social Security being means tested, but it's very means tested.

As a matter of principle, I like the Medicare means testing. It never happened. It was in our budget, believe it or not. I may have told you this. This is one of the examples of the Darman-

Skinner conflict. We put it in the ’92 budget and Darman really liked it and it was in the Bush health plan. We put it in there, and Darman wrote an introduction to the FY ’93 budget, two or three pages that were in there. I took the health plan up on Friday afternoon. It was about this thick. It was going to the President that weekend. The budget was coming out on Tuesday or Wednesday morning and Darman said, “Bring this up to Bill Gradison,” who was then the ranking health guy in the House, from Ohio. He was a nice guy.

I went up and sat in his office for an hour and gave him an explanation of what was in it and said, “Read it over the weekend. If you have any problems, call me at home.” He called me at home all pissed off. “I can’t believe we’re means testing Medicare.” He believed in it, but he thought it was politically stupid and suicidal and crazy, which I’d almost say I agree with. So he came in and had a meeting at 9 o’clock on Monday morning with Skinner. It was me and Darman and Skinner and Gradison, and they went through this whole thing and said, “I can’t believe the President knows this is in here. You didn’t check with him.”

The President did, but Darman had not checked with the Republican leadership because he knew they’d go nuts, and said, “This is crazy, it’s suicidal, it can’t be done, it’s nuts.” And he’s just getting very angry. Skinner was getting very angry at Darman, and Darman got up in the middle and didn’t say a word and just turned beet red. He got up and left about a half a hour into the meeting and came back 20 minutes later. The rest of us sat there. He said, “It’s out.” We said, “What does that mean?” He had called one of our staff and there were 10,000 copies already printed up and he had the staff go over and razor—he didn’t want to be accused of throwing away 10,000 copies of the budget, so he put them in the back storage room.

I still have the only copy in my files some place with the means testing of Medicare, but we razor-bladed out of 10,000 budgets, put those budgets in storage like we might use them some day and reprinted all the budgets that Monday and delayed the budget by a day and it came out a day later without means testing in it, but it was in the budget. It was done. Gradison convinced them that the Republican leadership would go nuts and kill everything and there’d be a big election problem, so we pulled it out. So we had made the policy decision to do Medicare means testing. It was probably the right call. Darman thought it was the right thing to do. We ought to show some guts and do it.

The President agreed to it but we didn’t do it, and the reality is it saved almost nothing. If you look at the numbers in Medicare, people all talk about Medicare means testing and what a great idea it is. It’s a great concept because it’s the most publicly identifiable program, and as a matter of principle we ought to means test all programs, including farm programs, but saves nothing because the vast bulk of seniors are not rich. They’re poor. So you get a long explanation.

Young: So what’s in the book?

Scully: It’s nothing. It’s just everything we ever did. Everything somebody ever asked. All the major issues that I was doing. Welfare. Kids in Arkansas.

Strong: Investigation into Bill Clinton’s past.

Scully: All this stuff about Clinton, yes. A lot of it is on Clinton's welfare program.

Young: This was prepared for general purposes for the campaign?

Scully: This was prepared for me. I did one for Bush on my subjects, which is probably one-fourth of this. On my subjects I did a thing for Bush and then I took my stuff and I supplemented what I was giving to them for this briefing book with additional stuff. So if I was sitting in the room with him during briefings and he said what's this, I'd have five other things to back it up. I took the equivalent of crib notes on every issue I had and stuffed it in one place so I could carry it around with me so I'd have a little piece of information on everything.

Young: This was a briefing for the debates?

Scully: Yes, in '92, but as a result of that, then everything that came up that had to do with us or Clinton or health, education, welfare, labor, veterans.

Young: Could you talk a little bit about how those briefings went? I take it it was more than just policy.

Scully: I was only in the ones on my subjects, but yes, it was mainly policy and how you respond to—I think they had additional sessions about how do you deal with Clinton and mock debates, and Darman played Clinton.

Masoud: So Darman was in charge of preparing the President for the debates?

Scully: Yes.

Masoud: I think it started—It was supposed to be [James] Cicconi and apparently Cicconi was in charge of doing the research and then—

Scully: Cicconi didn't even work there though. Cicconi was on the campaign.

Masoud: And then Darman seizes that or at least that's the story you read in the press. Can you illuminate us on that?

Scully: I don't know. Jim and I have known each other a long time. As I said, we shared a secretary and had adjoining offices at Akin, Gump. I don't remember Jim being in charge of debates. He might have been, but I don't remember.

Masoud: Did some research for the debates, I think it was.

Scully: He might have been on the campaign, but the debates were always pretty much a White House process and Jim left probably two years into the administration and went back to Akin, Gump. He was involved in the campaign, but I don't think he was ever full time, so I'd be surprised if he was in charge. He may have been in charge in the campaign preparing for the debates and doing opposition research because I think he might have run the conventions

platform committee too, but that was pretty much a White House process from the beginning.

I think Skinner may have been working on the debates early on, but Darman kind of seized it from Skinner early on and then Skinner was gone and then Baker came in and Darman was Baker's guy, so there wasn't any question about who was going to do it once Baker became Chief of Staff. And it was an early process in July, in June, for preparing for the fall and the debates and putting together briefing books. The debates didn't happen until October.

Young: Was the preparation for the debates an opportunity then to overcome this sort of disconnect between the White House people and the campaign people? Or did it not work that way?

Scully: There weren't any campaign people that I know of that were involved in the ones I was at. I was only at a certain amount. I wasn't in the ones that were planning how to respond to Clinton. I was in the briefings about issues. Grady did the stuff on his issues.

Young: I'm just wondering whether anything happened during the preparation of the President for the debates that brought these two wings that weren't—With nobody in charge, the running of the campaign, people in the White House?

Scully: It was probably never centralized. They were all engaged and they all knew each other and they were all friends and talked to each other. It was just there was no one person saying, "This is the approach you're going to take. This is how we're going to attack it and this is what we're going to do." There was no person taking control. Baker did once he got there. That's probably not fair, because once you got Baker as Chief of Staff, he was clearly in control and so by the time you got to the debates, Baker was running the show and there wasn't any question about it. I think it was early in the year when it was less coordination and there was more chaos.

Young: So he was a key player in the preparation?

Scully: Baker. Well, yes, he was involved a lot, but Darman was doing most of the substantive backup stuff and briefing the President on the debates, and Darman did a lot of it himself, including some of my stuff that I didn't do. So I think you've probably got to ask Darman most about what happened there, but by the time the debates came around, we fought about the debates, if I remember, all though the month of September. I spent a good bit of the month of September in Florida during the Florida hurricane stuff, and I didn't come back until probably the third week of September. By then we were already negotiating the debates.

I think the first debate was the first week of October, so some of the stuff had already been done by then. There was a lot of the fighting about the debates and setup of the debates, and Baker spent most of his time trying to negotiate the format, but the further we got behind in the polls the less leverage we had with the format. I remember Clinton wanted to have them in Oprah Winfrey format, the talk show format, which he ended up getting, and that was the one where Bush was looking at his watch. I think there were two debates, right? One was the talk show format. One was more the traditional press asked the questions format. We didn't want the talk show format, but at some point we had no choice.

Shreve: Was there a tension in the preparation for either of the debates between deluging the President with an enormous amount of detail versus let's just hit the high points?

Scully: I didn't see that but I know later there was a lot of tension because Darman did deluge the President with an enormous amount of information and preparation and he got criticized a lot for just giving him too much stuff. My frustration was—and this is a little bit biased—we spent very little time on health care and very little time on education, which I thought were big issues, and part of it was because Grady, who's a great friend of mine but who was more of the rhetoric debate preparation side, because he was good at that. We spent hours prepping on agriculture and energy and all this crap that was never going to come up. When was the last time you heard ag and energy policy in a Presidential debate? I know we spent three or four times as much time on ag policy, for instance, as we did on health care.

Shreve: Was that because that first in the alphabet and you went A to Z?

Scully: It was because it was Bob's and that's what he cared about. Those were his issues and he was also involved on the rhetoric side because he was good at that and he was very involved in the communications operations. So I think there were some people who thought we buried him with too much stuff and too much detail and too many briefing books and too many sessions and that kind of stuff, but I was only in on a piece of them. Anyway, all of this is is paying for health care reform, Families USA, the Lewin project, which was Clinton's, our health care ads, the Bush health plan, the *New York Times* press statements on the Bush health plan, talking points about abortion, Medicare, Medicaid, nursing homes, you know, any issue I was involved in there's a little background.

Young: We've heard a lot about the health care and some of the other issues that you have here. What was the most satisfying and the least satisfying part of your work in the White House?

Scully: The most satisfying stuff was the stuff we did on the Hill because I got a long leash to do whatever I wanted to do, and the few things that I got through were rewarding, like physician pay reform or child care. That was probably the most rewarding because there were just not a lot of people who really knew the policy and did the Hill work. Darman was good at that, gave us a long leash and just said go do it. You had a huge amount of freedom to do what you wanted and cut your own deals and do your own stuff, and we had almost unlimited backup from Sununu and Darman, which was great, because that was probably the most rewarding. The least rewarding was the last year with all the people who were frustrated and complaining and moaning about the ship was going down and they weren't doing a whole hell of lot about it.

Young: This is a remarkable picture you paint. It's like a falling elevator—

Scully: It was.

Young: You were in a free-fall.

Scully: Total free-fall, and that's how I remember it and I remember the whole year being like

that.

Young: With the polls plummeting and I'm trying to figure out, was there no response?

Scully: The first three years were great, by the way.

Young: I know. I'm not generalizing about that. It's just this last, after Sununu's firing and everything seemed to go downhill.

Scully: Well, I'll give you more examples of frustrating. I happen to like Sam Skinner a lot. He's a great guy. I don't think he was a great Chief of Staff. I don't think he was the right guy for the right job. I mentioned the Oregon Medicaid waiver—I was doing virtually all the health care policy at the time and the Oregon Medicaid waiver, which was a pretty major public issue back then if you remember, was something that I'd pushed and advocated. My attitude was whether you liked it or not, if you're Republican you believe in federalism, and you've got a state that has the guts to go try something new and they've got 80 percent public support, we ought to let them do it, and so I was a very strong advocate of trying to do it.

I was trying to help John Kitzhaber, who's now the Governor, who was the guy who was pushing the state legislature. Senator [John] Wyden was the main guy, a Congressman who was pushing it, and I spent a lot of time trying to help them get it pushed through and it was held up in the Bush administration for a year and half over abortion, which has absolutely nothing to do with it.

For some reason the abortion rights people, which had a lot of really strong feelings that would weigh on it, decided this was a pro-life issue—that somehow if you prioritized your services from 1 through 700, that at some point you're rationing health care, which, of course, you're always doing anyway, and at some point the state of Oregon is going to get into euthanasia decisions and inevitably it's going to get to abortion. It's absurd.

In Medicaid, the money's fungible. The federal government kicks in a certain amount of money, but the state can say, as most states do now, we don't do federally funded abortions, but lots of states do abortions in Medicaid. They just did for almost 50 percent state and 50 percent federal and guess what, we're not using our 50 percent federal for abortions, we'll use the state money for abortions, and it's a fiction. It's ridiculous, but the conservatives in the White House had Skinner tied up in knots. It was a fairly big public policy issue, but also in the whole scheme of things, relatively minor. I'll be you that I had 15 meetings with Skinner about it and we never resolved it.

Young: You never got it unlocked?

Scully: He just couldn't get himself to say yes or no. He never made a decision about it. It just never went any place. I think it finally got approved in the Clinton administration, but it had nothing to do with policy or Oregon or anything else. It had to do with the fact that he couldn't make up his mind about whether to do it or not. He was paralyzed by fear of somebody on the right going after him.

You ask for my most frustrating moment—that was unquestionably it for anybody trying to figure out how o fix the health care system. This is an interesting experiment. It had very strong support in their state. What the hell. Let them go do it. It wasn't like Tenncare where they wanted to steal the money to do it. They were doing it with their own money and it was good public policy, but it was very frustrating.

Young: Was that the only experience you had with some special group and someone in the White House staff who would throw a monkey wrench in the works?

Scully: No. That happened all the time. You didn't mind winning or losing. It was frustrating not to get a decision and the multiple meetings again and again and again about the same issues. At some point, I'd just rather say fine, you lost, rather than just bang your head against the wall forever.

Young: So earlier—before Skinner and Sununu?

Scully: Sununu would have made a decision in 10 minutes. It may not have been the one you wanted but at least it was over with and you could move on to something else.

Young: Could you give us some idea of some of those hot controversies within the Bush camp that Sununu had to make a decision on? Were they all about abortion?

Scully: Oh, no. I just give that as an example. There were tons of them. There were five a day, probably. Direct student loans—I mentioned that there were a lot of people—Cavazos and others wanted the direct student loans, and he had happened to agree with me and eventually was the arbiter of most of these things. He killed most of this.

Young: But was this a right wing, middle wing?

Scully: It was a stupid smart. [*laughter*]

Young: Tell me whether the stupid people were on the right?

Scully: Well, theoretically, and I'm pretty moderate for the most part. The idea of keeping the private sector system for student loans, which was not a huge issue, was probably the more conservative market thing to do theoretically and where the other more liberal people were coming from would tend to be where Senator Kennedy was. And Clinton eventually actually did. You know, have the government run the program. So in that case, I was on the right, the conservative end of the spectrum in this case.

Young: So it wasn't then ideological?

Shreve: And it's often more complicated than I would imagine because there it converged with the idea that well, maybe you're saving money too—

Scully: Somebody didn't understand

Young: The deficit—

Scully: Money for the budget, but the reality was for the economy in the long run it was insane. You're setting up a federal banking system. I'm oversimplifying. Charlie Kolb and I chaired a task force that probably met 40 times for a year with people from numerous agencies negotiating and discussing what the administration's policy would be on higher education and whether we should do direct student loans or not, so the final decision came down to being made like that. But that didn't mean there wasn't tons of input and we probably had, I don't know, probably a 40-page white paper on it or something silly.

Young: So on the internal issues, the policy issues in the White House when Sununu left, the person who made the ruling and made the decision to move wasn't there. There was no such person? It's was very hard to do that, but in general—

Scully: In a lot of cases, when Sununu was there, Darman made the decisions but he had implicit support of Sununu on just about everything. Once he got in the position where he and Skinner didn't really work very well together, it got a lot tougher for him to do things.

Strong: I have a related question about being a moderate in the White House. In some sense it's harder to get somebody like Oliver North working issues behind the scenes, but when it becomes known there's a constituency out there to whom he becomes a hero, and could make appeals to and work with, if you're working on issues like stopping the Governors from stealing money from Medicaid, or sensibly changing the way we're going to pay doctors, or good government policy, but policy that doesn't have an ideological constituency, is that harder?

Scully: No, because I think the whole attitude—again, I'm biased. I think Bush is a moderately conservative guy. I think he's probably about where I am on most things, and I think there was a good government attitude. I wasn't elected. I was a staff guy. My job was to be a staffer, so I wasn't supposed to be cultivating political support outside. My job was to do what I should get done and hopefully my bosses will protect me. When I got in too much trouble usually they did, but I just don't think like that. It's not like being a congressional staffer or a Senate staffer. The White House staff job is to do what you think your boss wants you to do, and if it's unpopular—you don't want to get him in trouble, but you try to get things done without causing political problems for the President, and it doesn't make any difference theoretically. If the day you leave you're popular, you've probably not done a good job.

I did a lot of things. Medicaid drug rebates, I don't know if you're familiar with that. I was the co-creator of those with Senator [David] Pryor. That was incredibly unpopular. Drug companies still don't like us. They'll never talk to me, but we needed $3 or $4 billion in the budget deal and that was the easiest way to get it. Senator Pryor had been pushing it for a long time and I'd been talking to him about it, and so we tossed it in there—but I don't think anybody got mad at President Bush about it. They went crazy at me about it but that's fine. That's what you're supposed to do.

Young: Is there more of an imperative in that kind of a situation that you use the bully pulpit and go to the public with some of these policies?

Scully: Most of the policies I get involved with the public never knows about or doesn't care. Childcare they might, and obviously abortion they do, but on something like Medicaid drug rebates—the drug companies go crazy. They want to shoot you and they'll threaten they'll never give a dollar to Republicans, and you're a communist and you're against the market and everything else, but the reality is our job was to reduce the deficit and reduce spending and control drug costs and there wasn't a good way to do it, but Medicaid was paying over-the-counter prices for drugs.

Shreve: Had enormous purchasing power.

Scully: Ten or 15 percent of the market. It didn't make any sense, so we basically came up and created this surrogate discount. Just made one up, said we will now pay 15 percent less than everybody else.

Young: When the opposition was encountered from outside groups or interests who would be affected by the policy and who were opposed to what you were trying to do, how did they get at the policy and how did it come to you? Did they come directly to you with their complaints? Did they go through somebody else? Did you feel it through Congress? How did you feel it?

Scully: Feel it if they come directly to you. People would come lobby me on the issues and they would—I had a lot of fights with Vice President Quayle's staff on something called the Competitiveness Council, which was chaired by David McIntosh, who's now a Congressman. David's a nice guy, but he was very conservative and was frequently the surrogate for outside pressures and people for things they didn't like that I was doing on FDA [Food and Drug Administration] or other health care issues, so he'd come pound me once in a while. That was of limited effect. So it was sometimes through Quayle's office and the Competitiveness Council, especially on industry issues, drug issues, drug companies in particular had a big in with it. A lot of times on the Hill it would be the natural thing. There was always something that the administration was doing.

You'd get beat up on by going to the Hill, especially with a Democrat majority, so you get to know the—I mean, the same thing with the agencies. One of the reasons I spent most of my time on Hill is the agencies always wanted to ignore the White House. Bernardine Healy at NIH, who was just a horrible, nasty person, just a massive pain in the ass—I knew her at the American Red Cross—she constantly went around trying to—and she paid no attention to anybody. Neither did David Kessler at FDA.

My view was if I knew the people on the Hill and the members better than the agencies did, if they were going to see the appropriations committee and ask for more money than they got from OMB and they saw me walking out the door before them, they might be a little nervous about it. So all my health care issues—if you were trying to find a way to change the administration's opinion, you'd go to Jay Rockefeller or Pete Stark, so I got to be very friendly with them and spent a lot of time with them. Generally when I did something I made sure I had their support, so

if somebody wanted to go and roll you out, they'd have a hard time doing it. I spent a lot of time working with Democrats on the Hill to make sure the policies we were doing—

Young: Did you yourself ever go out in Washington to give speeches?

Scully: Oh, yes, a lot.

Young: How much of that did you do?

Scully: Any time I got asked by anybody reasonable that wasn't too much of a schedule problem. Probably a couple of times a week.

Young: Was this always on issues that you were dealing with?

Scully: Yes. Health, education, welfare. Did a ton of it. *McNeil Lehrer* and Cross Fire and NPR a whole lot. I did a fair amount.

Young: And your appearances didn't have to be cleared with anybody?

Scully: If it was *McNeil Lehrer* or *Crossfire*, I told Darman. If it was anything major I'd tell them that I was doing it, but nobody ever told me I couldn't do it. You could generally do whatever you wanted to until you screwed up. I mean, that's public stuff. I did a ton of speeches. Every guy in the world holds their convention in town and they want somebody from the White House—Chris Jennings, who now works for Clinton, has a similar job. In fact, he was working for Senator Pryor then. He was the guy that did the Medicaid drug rebate thing. So if you're running a convention or something in town and you want somebody to come talk about the Bush administration's health care policy—

Young: The reason I asked—

Scully: Bill Roper before Bill left.

Young: Again, here you find real difference among Presidents. Nixon was well known for establishing a central clearance system for speeches. Nobody could give a speech without notifying in advance. That was the rule. How much it was honored—

Scully: Really?

Young: Oh, yes. On all issues.

Scully: As I said about Darman when he comes, Darman will prepare and spend a lot of time writing speeches. When I wrote speeches I generally wrote them on the back of a napkin and just winged it, so there wouldn't anything to clear.

Young: That's one way to do it.

Scully: You know, certain things—when the President came out with his health plan and I spent a lot of time promoting that and going around giving speeches on that. Obviously, I was much more prepared on that and did slide shows and things like that explaining the distributional effects of the health plan and who was going to get the subsidies and defending it and that kind of thing, but I did a lot of speaking.

Young: You mentioned Quayle a moment ago. Outside of the Competitiveness Council, maybe you could tell us a little bit more about how you saw that, but did the Vice President figure at all in any of these policies or his staff?

Scully: He picked the spots. He had a great staff. It has been strange because Vice President Quayle had a very good staff and since he went out of office he hasn't really kept with them, which has stunned me. But Bill Kristol was the Chief of Staff. Kristol was very close to Sununu and very close to Darman, much more than being Vice President's Chief of Staff, even in a lot of ways more than the Vice President. He kind of faded in the last year and half, but especially the first two and a half years. Darman was always perceived as a moderate for whatever reason from the very beginning. Sununu was a great movement conservative, and Darman was always looked at as a moderate pragmatist that the conservatives couldn't trust.

Aside from the fact that Billy Kristol is a good guy, a smart guy, his father is Irving Kristol with "the Hill." Bill was an unquestioned conservative, so I think Darman kind of wrapped himself around Kristol from the beginning as his conservative defender, and Kristol was smart enough like Darman to get to be very close to Sununu. Kristol got involved in everything, much more so than you would have just been being the Vice President's Chief of Staff. He was involved in a lot of political decisions and a lot of other stuff pretty early on. Later on in the administration I think he was not—I don't know if there was a rift or whatever. I don't remember him being quite as close to Sununu and he wasn't particularly close to Skinner. But he got Quayle involved in a lot of stuff just because of the way he was and he also had a good staff. What was the other guy's name? The Republican Party in Indiana, who was a really terrific guy. Had been around forever.

Young: Teeley.

Scully: Pete Teeley was Bush's Press Secretary as Vice President. Al Hubbard was his name. He's very involved with George W's campaign now. He's a very close friend of George W. Anyway, he was like the Deputy Chief of Staff and he had been around as a really well-liked Republican operative for years, so everybody in the White House knew him and liked him. He was just a great guy—Al Hubbard is one of those guys that everybody just liked. He'd been around forever and he was really good. And David Beckwith, who just got canned, as you probably saw, as George W's spokesperson, was Quayle's Press Secretary. David's terrific and a great press person, so Quayle had really good staff.

Then David McIntosh ran this Competitiveness Council, and while David could be a pain in the neck, he was very aggressive and picked his spots and really got into a lot of stuff. Found places where he could have an influence on the government. So in spots Quayle was very active. Bush is a very gracious, wonderful guy and made a huge effort to include Quayle any way he could. Quayle got involved in some things. I spent some time with him on health care policy and took a

couple of trips with him on health care issues, but it was kind of spotty here and there.

Shreve: Did he handpick that staff, or were they foisted upon him?

Scully: No, they were all his. The campaign staff was different because after we had a little debacle at the convention and Quayle was picked, it was such a disaster that during the campaign the Bush people were forced on Quayle. He was pretty unhappy. Cicconi primarily. Cicconi was taking the campaign and was put in charge of the Quayle press thing, and I was at the campaign. I wasn't dealing with Quayle every day, but I just knew every day was a nightmare because there were three or four guys that were old Republican hands—Cicconi and two old Reagan guys, I can't remember their names, who really kind of sat on—Quayle was kind of given the local tour of East Nowhere, Texas, and kind of—

Young: And that was in direct reaction to the New Orleans?

Scully: No. It was a disaster. Quayle's a very nice guy, but he was—I think it's a shame. I think his political career was destroyed in two days. He never recovered from that, and I think he's a much better guy than people give him credit for.

I'm not sure he's a great national leader, but he would have been a perfectly serviceable, effective Senator from Indiana for the rest of his life had he not been picked to be Vice President, and unfortunately in two days in New Orleans he was completely trashed for signing up for the National Guard, which in hindsight with President Clinton and everybody in the National Guard, it's a joke. His political career was destroyed because he went in the National Guard instead of going to Vietnam and because he responded to it poorly, but he's actually a very nice guy. He comes across as being not all that smart, but I think he's pretty smart. He just doesn't have a very good delivery.

Young: He had a much better rap in the second campaign, ironically, than he did in the first.

Scully: He just comes across as kind of excitable, kind of a kid almost, and there're a lot of people that can't run for President. Probably all of us included, so that's not a fatal flaw, and I don't think he's going to make it this time, but he's a pretty smart guy and he's a nice guy and he's easy to work with and I think Bush really liked him. I think you'll find out that Bush liked him and I think almost all of the staff liked him. Was he an integral part of every decision? Probably not, but I would say he was as involved as any Vice President would be for the most part, and anything he really wanted to get involved in he was never cut of, that I ever saw.

Young: My understanding of Bush as Vice President, particularly toward the latter part of the Reagan administration, was he was very much involved with Reagan and Reagan with him and these private get-togethers.

Scully: But I don't think that—I don't know, you'd have to ask Teeley—I never got the impression that Bush's staff and whole organization were really brought in as part of the Reagan team.

Young: No, they weren't. I think this was something—

Scully: Quayle's and pretty much from Bill Kristol's point of view as much as anybody else. Kristol was really engaged, especially the first two years, in all kinds of stuff. In fact, what was the guy's name—National Endowment for the Arts, I haven't read his book, but he apparently trashes me. Remember the guy who was head of the National Endowment for the Arts and we had to fire him? What was his name, from Oregon? John [Frohnmeyer]—

Young: I read about it.

Scully: Bush liked him. The guy was a complete knucklehead, totally outrageous, and I'm very much a fan of the arts and my wife's an artsy person and I like the NEA [National Endowment for the Arts] and I had their budget, but the guy kept giving grants to naked women to smear chocolate—You remember all those conflicts?

Young: Performance artists?

Scully: Oh, it was just unbelievable. I kept saying, "John, you know what? It's a $150 million agency. I'd be happy to give you the money. Stay the hell out of the press." And he just couldn't restrain himself. He just liked the attention. He was just a goofy guy. His brother was the Governor of Oregon or ran for Governor of Oregon and he just kept drawing attention, so finally Kristol and I were assigned to be his hand-holding watch team and just sit on him and keep him out of trouble because Jesse Helms and all these guys were just torturing him.

He got mad at me because I flat-lined his budget because we used to print the gains in the budget and the losses in the budget and the first year I froze his budget and he got all excited, and the second year I froze his budget and I remember for the first time ever the National Endowment for the Humanities result became bigger than the National Endowment for the Arts, and I said, "That's because Lynn Cheney doesn't get in the newspaper. We don't want to print you in the gains or the losses, so they could zero your damn budget out if you want. But we don't want to print you in the we increased your budget or we decreased. We want you to disappear."

But he just couldn't disappear and he kept picking fights. We tried to get President Bush to fire him for about two months and he wouldn't do it. Finally it got so bad that he got fired. Then he wrote a book and trashed me and Kristol had tried to save him for—literally, he wasn't allowed to go to the Hill without one of us with him.

Young: But Bush did fire him?

Scully: No, we fired Frohnmeyer, and he wrote a book and got very bitter about it and said we're all horrible insensitive people who didn't care about the arts. It had nothing to do with the arts. Frank Hodsoll, who was one of the other associate directors of OMB, had been the previous head of the NEA. I'd say, "Frank, how did you never get in trouble?" He said, "When one of these grants would come up, I'd appoint a commission of six people to go off and study it for five years, just kind of drive it off a cliff."

Nobody wanted to have a great controversy about the National Endowment for the Arts. We all liked the arts; this guy just couldn't resist talking at press conferences that created some controversy and made us look like idiots. But anyway, Kristol was very involved in that, which just shows that that was a big problem for Sununu. He won't remember it, but for probably six months it was a once-a-week newspaper story about how we were sitting on the grants for the arts. All the great Hollywood people would show up and have a little demonstration about how we were rotten conservatives and didn't care about the arts. Sununu basically told Kristol—it was my agency, so we were assigned to find a solution, which we did. We fired the guy. But that's pretty unusual for somebody to be that ingrained in the White House in the President's operation, that Kristol was kind of treated like a White House staffer. I think Quayle's operation was pretty much at random.

Scully: You mentioned some feeling about the Bush people not being in the Reagan White House; they weren't part of Reagan's staff. Was that feeling reciprocated even though some Reagan people were held over?

Scully: I was always a Bush person through the '80s and I worked in the Senate and I was always perceived as a moderate. There was always the perception that if you were—my roommate worked in the White House for Reagan back then—Peter Dailey. His father was in the Reagan kitchen cabinet and it was just this perception that we were a bunch of waffling moderates and that we weren't acceptable to the true believers.

Young: But when your turn came—

Scully: What I'm saying—all through the early '80s, if you were a Bush person you weren't really a Republican, you weren't a Reagan—this wasn't Bush people who worked on the Bush campaign in '80, and they were engaged with Bush, just generally weren't seeking you out for the jobs in the Reagan administration. So I don't think it was anything bitter, but most of the Bush people felt like they'd been waiting their turn and there was a pretty hardcore group of people that had been with Bush for a long time. While Bush and Reagan get along extremely well, I think when Bush became President there was a pretty good core of people who had worked for George Bush and had been George Bush people for a long time. I don't think there was any distaste for Reagan people, but we didn't exactly feel like they'd gone out of their way for us.

Young: Well, Bush himself sort of made it clear in a number of public statements during the period after the election, and he talks about this in his book on Scowcroft, too, a bit about establishing his own identity and not being an extension of the Reagan administration and also signaling he would have his own people do his own thing.

Scully: Well, you've got to do that. If you look at what George W's doing now. Most of George W's staff people are Reagan people and the reason he's doing that—I'm fine with it, some of the Bush people are upset about it. I've talked to President Bush about it. He said he does not want to be George Bush Number Two. He's got to be his own guy, and if he gets more people who worked for the Reagan administration than our people who worked for his dad, that makes him differentiate himself from his father, which is smart politically and it's the right thing, and I've

already had my chance. Maybe I'll go back to government some day, but I'm not going to sit around whining about the fact that I'm not being called by the Bush campaign every day.

Young: But were there Reagan people who expected to be kept on and weren't?

Scully: Oh, yes. A lot of great people. When I went into OMB, in fact, the Reagan guy on the job that I took at OMB had never talked to Darman but he'd been given the impression that he might be kept on. He was a great guy and ended up working in the White House later. Still a good friend of mine. I'll never forget walking in, called him up to take him out to lunch. I walked in to check out my new office and see who the staff was, and he did not know that I'd gotten the job. This was in mid-January, and I walked in and I had to tell him. "I hate to tell you this. Darman may not have told you, but I'm hired for your job starting next week." And he didn't know he was out of a job. That happened a lot.

As it turned out, it turned out fine. The guy got another job with another agency and a year later he was back in the White House working in legislative affairs and he was a great guy. But there were a lot of people on the Reagan administration who just assumed—or they were just told they'd keep their jobs. There were a lot of unhappy people because a lot of them got pushed out of their jobs. This particular case I knew the guy and it was only briefly uncomfortable, but it was uncomfortable.

Young: It is.

Scully: Yes.

Strong: I wanted to ask you another question about your book. We touched on lots of different issues. Is there something we ought to look at in more detail? Is there a policy issue that was much neglected in media coverage? You've said that's true a little bit of the health care proposal, or one of those issues that's particularly good illustration of how the process worked.

Scully: There are good illustrations. I've got tons of them. I could probably give you a hundred of them, starting back with job training. I spent a year with the Department of Labor—The job training programs have maybe changed now. I haven't followed them since then, but they were a joke. There were 8,000 different job training programs just duplicating effort, and a bunch of different agencies. They weren't Department of Labor and they were a disgrace and a mess, and I spent about a year with the Department of Labor basically to come up with a plan to streamline them all and restructure them all and get rid of a couple of them.

The employment service, for instance, is a state—tons of these employment services all over the country, and they're ridiculous. They don't do anything, and restructuring the whole job training session, scrapping it and starting over and putting more money into it, and of course, we sent that to the Hill and it went nowhere, so when you look at it and say, "What did Bush do?" Take any part of the government and we proposed radical reforms everywhere. They just weren't going to go anyplace.

Shreve: I believe you were involved with foster care.

Scully: Yes. I was in foster care.

Shreve: The administration wanted changes and proposals there.

Scully: And actually that had some bipartisan support. Moynihan's guy was a friend of mine and I'd gotten to know him from some other things. He's still the head of the Medicaid program in D.C. right now, but the foster care program had been totally abused and I don't know exact numbers. But just to give you an example, the foster care payments in 1989 were $1 billion, and the administrative payments were $100 million.

By '92—because again there was a little bit of a loophole and a kind of gimmick—the states had found a way to jack up their administrative payments, so for every day of foster care you get costs attributable to your trucks or your cars or your station wagon, or whatever. The program payments by maybe '91 were like $1.4 billion and the administrative costs were $2.1 billion, and we started closing off some of the loopholes for some of this stuff. And I thought foster care was a great program.

I went to some of the foster care groups and to some of the Democrats on the Hill—Moynihan actually wanted to do this—and said, "Look, the baseline over the next five years for foster care is"—I don't know what the number was—"$12 billion, and we're going to start closing these loopholes and the spending is going to come down and you're going to lose money, and in the long run you're going to come up short. You can do that if you want or you can rationalize the program, reform it, block grant it. We'll give you all the money that's in there now. We like foster care, but we're not going to keep spending the money on this bullshit backdoor abusive system you've got. So if you want to come up with the block grant, we'll give you the money you've got now, we'll lock it in for five years and you can have it, but you've got to have reforms to go with it."

They said no. Didn't want to do it. They had program-it is. So what happened—if you look for the foster care spending, it went like this, straight back down, because we closed off all the avenues for them to abuse the grants and they lost all the money, which was just unbelievably shortsighted and stupid.

I don't know if it's in there, but we had a 25-page foster care reform thing we put together. It was very rational. Moynihan liked it. Moynihan's staff liked it. We just couldn't get it through because there was a whole big group of state—mainly the unions—but most of the state low-income workers were all heavily unionized and they didn't want to do anything that might remove any administrative costs. It was mainly the state employees unions involved. Administrative funds don't go to foster care children. They go to employees basically to hire more employees. Who cares about foster kids?

Young: Was the idea for the reform yours? Did it come from some career people who knew what was going on before you went there?

Shreve: Just a matter of the numbers jumping out at you when you saw those kind of—

Scully: I think the staff, like the Medicaid DSH. The staff said to me, "We've got a problem with foster care." The grants—

Young: These were people who had been there a while, career?

Scully: I had a staff of a hundred people who did that kind of maintenance. I had two guys who did nothing but foster care and they said, "We have a problem. Foster care's out of control and we're going to do something about it. The administrative grants are exceeding the actual grants for taking care of foster children, and we need to fix it."

Young: These were people who were—

Scully: Career civil servants.

Shreve: Was case management a big part of that system and that's where a lot of the abuse lay?

Scully: No. The abuse was purely in the state's trying to get money out of the federal government, not for foster care. There was an open-ended—a little mini DSH. It had nothing to do with foster care.

Shreve: They weren't even passing it on to intermediaries who were doing case management?

Scully: It was going to Department of Transportation trucks and assigning a certain percentage of it to the local foster care program and using it to get federal dollars in foster care, but they were also hiring more employees. The unions liked it and especially in New York, for instance, where Moynihan caught a lot of heat, but people who were serious about foster care knew what was wrong. But there's a huge—

It's like the VA. When you get in the VA's budget, the number one group that fights VA health care reform is not veterans, it's 425,000 people who work in VA hospitals, because you've got way too many VA hospitals and the VA's health care system's a disgrace and a gigantic misuse of taxpayer dollars. But we've created a massive lobby in every congressional district to lobby, and you've got a lot of the same problems with foster care. It's nothing to do with veterans' benefits or health care. It has to do with the people who are employed.

Strong: Which one of those issues commanded most of Bush's attention?

Scully: Well, you know, you get stuck on these little things. I was just going through here—higher education, he spent a fair amount of time. Around job training, a little bit because it never took off. Parental leave, you remember, was one of my issues. This should not have been a big deal. It became a huge political deal and flexible parental leave and mandatory parental leave and whether we were going to give everybody Swedish benefits 364 days off a year paid. That became a big issue. He spent a lot of time talking about parental leave. In the real world, is that really a cutting edge issue? No, but the Democrat Congress made it a big issue so parental leave was big issue.

Strong: I didn't so much mean the one he's forced to pay attention to. Were the ones he was inclined to pay attention to the ones he wanted?

Young: Near and dear.

Scully: Well, Quayle spent a lot of time on job training because if you remember the JTPA [Job Training & Partnership Act] was his thing in the Senate with Kennedy and he was interested in that. I actually worked with him a fair amount on it. I'd say Bush probably spent a lot more time on education than anything else because he was interested in it and he was interested in policy and where the money was going. I'd say he was probably more interested in education than anything else. And it was probably the sexiest thing but it was also the least likely to actually have an impact. He spent a lot of time on childcare. Childcare was a very big issue in almost all of '90. We would have put a lot of money in Head Start. He was very interested in Head Start, which is really an HHS program, but it's effectively an education program.

Strong: And what would that mean?

Scully: He got very involved in math and science education goals, and that was more because Admiral [James] Watkins was very big on that one and got Bush really involved in math and science education goals. That was an education issue that Watkins was very jacked up about.

Shreve: Was there anything in education that Lamar Alexander pushed onto the radar screen for Bush?

Scully: Lamar basically packaged everything we were doing. Unfortunately, he wasn't quite as good in his Presidential race, but he was very good at the packaging and the promotion and he came up with this whole America 2000 theme and goal. Lamar packaged up a lot of the stuff we were already doing, which we weren't getting much credit for, and did these tours around the country and he was great at that. Lamar got a lot of attention for it, plus Lamar is a real bipartisan guy and he'd been a Governor and he knew a lot of Democratic Governors. Up until close to the election he was pretty successful at getting a lot of people jumping on his education issues on a fairly bipartisan basis. I would probably say education was the thing he was most interested in.

Shreve: Any connection in Bush's mind between some of those?

Scully: He was pretty interested in welfare reform, too.

Shreve: I was getting ready to say between education issues like childcare and welfare reform. Did he see the connection between the two? You could do one better if you had the other, that sort of thing?

Scully: Yes, I think he did, and like I said, we had massive reform packages in all these things. The problem, especially for the first year and half, was we came up with all these reforms and sent them to the Hill, but it was abundantly clear they weren't going anywhere, so it was kind of hard to keep everybody focused. Clinton has the same problem now. We sat it up in the 1990

budget and everybody laughs at you and doesn't do anything about it and so you get all jacked up in '91 and you come back to the same briefing on the budget and say, "Let's have an initiative." And how many times do you want to run up San Juan Hill? It's hard to sustain the energy after a while. With child support—and you forget, Clinton did all this stuff.

I forgot about this one. This is another problem. The President's Comprehensive Child Support Initiative. We had a huge initiative to crack down on deadbeat dads, finding them and interstate prosecution and all sort of stuff. We got very little credit for all that stuff, and Clinton came in and did exactly the same thing, but he presented it better and he got tons of credit for it. I remember the guy who did this project for HHS with me, calling me up when Clinton was doing it and sending me Clinton's fact sheet along with our fact sheet. It was the same policy. It was a joke. It was exactly the same. He did exactly what we'd done, which is fine. I don't blame him. He just presented it a lot better.

Young: But it does sort of stick in the craw?

Scully: No, I don't begrudge him that at all. I think the guy hasn't been a bad President if he wasn't a highly questionable person. Unless you're violently opposed to any Democrats—

Young: I hope there's not a lesson in that. Bush was quite a nice person.

Scully: Yes. He's a wonderful person. You're the expert on this, but I doubt that I'd want my daughter to marry Lyndon Johnson or Richard Nixon either, so I may be wrong about that. I'm just trying to think if there's anything else in here. You wanted to quit at 8: 00, didn't you?

Young: We can continue in the morning.

Scully: I can't believe this stuff you collected. I haven't seen this stuff in years.

Young: Maybe there'll be something in there that provokes you to show how poor our judgment is about a few things.

Scully: Well, we'll just hit a couple we're going to talk about tomorrow, which is health care reform. Bush was intensely involved in that. Sununu was intensely involved in that. I was intensely involved in that. The National Children's Commission, which was another Jay Rockefeller thing. There were a lot of these commissions that were going on and making recommendations that I got very involved in trying to kill. And the politics that Bush got very involved in and the White House issues—we can talk about that and what interaction there was there.

Young: We'd also like to hear some more about your reflections on the Bush administration and the Vice Presidency, not necessarily having to do with policy but to help understand what kind of President this was and how his Presidency should be seen in history. How you think it'll be seen? What did the press miss?

Scully: Nothing. It was that if President Bush—thank God, and we can say happy now—

President Bush died on December 15th of 1991, he probably would be remembered a hell of a lot differently than he is now because the first three years were very good, very productive, very powerful, and the last year was a disaster.

Young: You know how these things go through cycles? The reputation a President takes out of office tends to be the reputation that he took out of the last year.

Scully: The first thing most people tend to get remembered for is a snapshot. In your book on [Jimmy] Carter—I'm sure you must remember probably from that hostage crisis and high inflation and nothing else and he obviously did a lot more than that.

Young: Well, there were some other things, too, but then over time it changes because the press conventional wisdom—

Scully: A recession and—

Young: As press conventional wisdom fades away and as people get into looking at the evidence more clearly, looking at the archives, the oral histories, there is a revision that almost always goes on, so we're trying to anticipate that and keep it well informed and help it along because there's always a revision of the reputation.

Shreve: And part of it I think—don't you agree, Jim—is in the process of comparing one President to his successor that you know nothing about yet at this point in time. For instance, I think Nixon's persona has changed greatly because he's in some ways compared to Ronald Reagan and comes off looking a lot different than he did—

Young: Sometimes better, sometimes worse.

Shreve: Yes, right. But just one example.

Young: That happens too, but it's also the passage of time and the people who didn't read those newspapers, and it's not something they're reading about as the Presidency unfolds day to day. They're looking back and seeing it as a whole, so you're more likely to pay attention to what happened the first year or two in the administration. And you don't read anything about that, and the last year you don't read anything about the Bush administration.

Scully: I think President Bush is a tremendous public servant. Now, whether he was a great communicator and orator is another question. I can't remember one second ever being embarrassed about anything he did. It's something to say for somebody you worked for for four years.

Young: It is, and also your intense loyalty with that. We'd like to talk about some of those things in your personal experience.

Scully: One of the biggest mistakes I think he ever made—when you've got to pick a Cabinet, you don't think about it very much and you pick a Secretary of Education who may or may not

be qualified because you need an Hispanic, or you pick a Lou Sullivan, who's a nice guy but he was not a particularly effective Secretary of HHS. Granted, these people project. I mean, the President can't do everything. He's always the central figure. Whether you like it or not, Donna Shalala, for instance, I think has been a reasonably effective Secretary of HHS. She's projected a positive—set the theme for Clinton and I'd have to say, a lot of the people.

Some of our Cabinet members were great. Some of the problems with Darman and Sununu becoming so powerful is that they cut a lot of those people off, and if you ask one of the Cabinet members, "What did you think of the Bush administration?" they'd say, "We got sat on. We weren't allowed to do anything because these guys cut us off."

Young: Yes, well that's you always hear. You should hear the complaints from the Carter Cabinet about guys in the White House. If you listen to the guys in the White House, they say, "They're saying that about us?"

Scully: It's largely true. The guys who were good, like Lamar Alexander, got a very long leash, and the guys who knew what they were doing. But the administration is a big—The White House's staff is actually pretty small. The perceptions that you project come from the agencies. If they're not doing much, and they're not encouraged to do much, that doesn't help.

Strong: Should we talk about [John] Tower?

Scully: I'm not sure how much of an effect that had on the rest of the administration. It got us off to a bad start, and Tower—even though I was assigned to him, he had his own little troop of people—Fred McClure, I think worked for Tower, and so I saw him a fair amount, but also I wasn't a defense expert so—you know, Washington's a personal place. There are a lot of people who may dislike each other politically.

As I said, Darman and Kemp hate each other politically, but from what I can see, they're good friends personally, and that's not unusual. If you look at a guy like Orrin Hatch and Ted Kennedy, they couldn't be more opposite and they're good friends. But when you get to a situation where a lot of people, a lot of Senators, really didn't like John Tower—a lot of it's personal. A lot of people had been lying in the weeds to get him for years. I'm not sure why, but I can tell you it was the case. And they took it out on him when it came up—I don't know if it was fair or not, but he definitely got his clock cleaned. And you know, you're going to see that.

I worked in the Senate for a long time and I don't think Gore's a bad guy necessarily, but a lot of Senators don't like him because they just don't know him very well. My sister-in-law was his au pair for two years and she lived with his family. She thinks he's an OK guy, but he's very stiff and he was not particularly friendly and accommodating to the members of the Senate for years. So you don't find a whole lot of personal loyalty there.

The Senate's a little club and people who don't play it right get hammered for a long time to come. Tower was included in a lot of that and I think what I've just been hearing from Democrats I know who aren't particularly intensely excited , believe it or not, about Bill Bradley, who's not real. I mean, he was well liked, but he's—whereas if you went out and asked people

what they thought about Bob Kerrey, for instance, they might think he's a crazy man, but they like him. He's good guy. He's friendly. He's a gentleman and that has a big impact. Tower just was mean to a lot of people.

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Young: —unless you have some agenda after looking at that that you'd like to pursue this morning.

Scully: No. I'm fine. There are few that I can jog my memory, and I found a shocking number of press clips. I was surprised. Some I'd never seen. Know they existed, yes, but mainly from *CQ* [*Congressional Quarterly*].

Shreve: Did you often get a chance to read the *National Journal* when you were in office?

Scully: Yes. I still read the *National Journal*.

Shreve: So that was one you probably saw frequently?

Scully: I talked to them a lot. In fact, I talked to *CQ* a lot. I read the *Wall Street Journal*, the *Times*, and the *Post* every day, but I never really saw—

Shreve: You mentioned Darman would spend a lot of time with Alan Murray. Did you ever sit in with Murray on occasion?

Scully: Yes. Alan and I are still friendly.

Young: We'd like to hear what the routine was in the White House. There were deputies' meetings, there were briefings. Insofar as what a normal day would have been like for you. We're trying to get a picture of the way things worked and the way they changed, and then we'd like to shift gears and ask you to give us some reflections on George Bush as the President. You see him twice a year and we'd like to get a picture from you of the way you view him.

Scully: Well, of the people at the Library, I probably know him least personally, but I had the most to do policywise I would guess, at least on domestic policy. The foreign policy guys would certainly know better. What was a normal day? I'm not sure I ever had a normal day. There were senior staff meetings at 7: 00 a.m. every morning with whoever was Chief of Staff. I went to those occasionally, only if something came up.

Baker never had those, if I remember, so when I was technically on the White House staff from September 1st on as Deputy Domestic Policy Advisor, I don't remember Baker having those. I'm pretty sure he didn't. We had a lot of staff meetings, but they seemed to be more random. But I

think Skinner and Sununu had a 7: 00 staff meeting, and I went to those when something was up in my area, but generally they were just general staff meetings. Darman would come back at 8: 00, so we would have an 8: 00 staff meeting every day or every other day at certain points. I think two days a week we had all the OMB senior career people, which were maybe 20 or 30, and every day there was at least the top six of us. I think there were six probably at different times, but it really was Darman, Bill Diefenderfer, who was the deputy and then left after about two years.

Shreve: Barry Anderson?

Scully: Yes, Barry Anderson. Bob Damus was a general counsel. They were both career civil servants, but they were kind of at the super level of involvement. Grady, me, Janet Hale was one of the other associate directors. Bob Howard, who did Defense. So it was generally just the top level associate directors every day and I think two days a week maybe, at least one, maybe two, and sometimes three. We'd have the room full of all the Deputy Associate Directors, as they were called, and they were the top level career civil servants.

At OMB there was a sight difference in the associate directors. There were four of them, but the guy who did Defense had a different relationship—I don't know how to put this gently—but Bob Howard had been a career civil servant at OMB. He was a great guy, but we always joked that his job was just to ask DoD [Department of Defense] to say how much money they wanted and write the check. He had very little leverage over them, so on the other agency OMB sat on him and beat him up, tortured him, punished him. We were only semijoking. But at Defense and State, it was much different relationship. Defense and State kind of wrote their own budgets and did what they wanted. They really didn't have a whole lot of OMB oversight.

We had a staff meeting every morning and then after that depending on what was going on. Sometimes on the road. Sometimes the White House schedule was different for the last five months of 1992. But the time I was at OMB, if I was in town the odds were probably 90 percent that I'd go to the Hill by 9: 30 and I'd probably have scheduled meetings, a lot of time not-scheduled meetings. I generally spent at least half the day on the Hill meeting with members and staff on whatever legislative project I was working on.

During the budget cycle, which was different, when Congress was out of session—one of the miserable things about working at OMB is usually in Washington when Congress is in session, you're busy. When they're gone, you can do things like this. The problem with OMB is when Congress is out of session generally is when you have to write the budget. So when Congress goes out of session October and November, that's the busiest time of the year internally for OMB. That's when you spend 20 hours a day working with your staff going through the budget, negotiating with various departments and trying to figure out what the President's budget is. Then you have to write, usually finish the budget in mid-December, go through all the briefings with the President and other people, and go through the budget and all the appeals and departments and stuff that exists. Then you have to write all the rhetoric between January 1st and January usually 20th when it goes to print, so you're extremely busy.

One of the nice things about Washington and every place else, including the White House, is that

you get a lot of dead time during December and January, so it's not good to work there if you're a skier, but it's a miserable time at OMB because you're putting in tons of hours. Never on the Hill. It's all internal, writing, drafting, so the schedule depends on the time of the year, and also Congress comes back in January but they don't do anything until May for the most part, in hearings, and they kind of spin their wheels. So usually in January to May I would spend more time on other policy developmental stuff and less time on the Hill. Usually from May to November is a busy legislative time and I would spend at least half my time on the Hill doing legislative work.

Young: Did you ever testify?

Scully: Well, we were called to testify, but we had policy that somebody cooked up years ago that nobody at OMB could testify but the Director, because we were afraid we'd be up there every day. People in Congress were after us constantly for what we were doing and the agencies used to love to leak what a nuisance we were and how we sat on them and killed them in policy, so we got asked to testify constantly and we always said no.

Shreve: Who initiated that policy? Was it Darman?

Scully: Nobody at OMB but the Director could testify, otherwise we would have been living on the Hill and second guessing, so we just refused all. So I've testified a lot since then, but I didn't testify when I was at OMB. I don't think I ever did.

Young: And going back to the White House and the President's staff.

Scully: And the White House staff, by the way, is not allowed to testify.

Young: Were there regular meetings or was it depending on the issue that would take you into the Oval Office with or without Darman or others? I know you were there, of course, running through the budget and on some special issues—health care.

Scully: There were regular meetings, but it depended on—I wish there was a record some place. I just know from the pictures. Usually when you're meeting in the Oval Office, six months later you'd get a picture or somebody would come in and snap the picture of you. I had a ton of them from meetings. We had Darman, Boskin, Sununu, later Skinner, and four or five people sitting around talking about domestic policy, whatever the issue was. The most common things in the Oval Office I remember for me, until the end when Baker was there, which was different, were going in with seven or eight people to sit around and talk about education policy, economic policy, health care plan, whatever.

I spent a ton of time in a lot of meetings in the winter of '91 putting the final touches on the Bush health care plan and I'd say here were probably five or six meetings there and those were in the Roosevelt Room, for the most part. There were generally a lot of people there. It was usually me and Darman. Roger was involved in those meetings, and then I remember before we put the plan out on February 6th, Roger Porter, who was involved not a lot, but more at the end in putting the final touches on the health care plan—for whatever reason Roger and I flew to Florida and it was

the only time we had in the schedule. I spent two hours on the way down and two hours on the way back briefing President Bush on probably February 4th about the health plan that was coming out on February 6th and the reason I remember that is that was the fateful grocery scanner trip. You remember that?

Young: Oh, yes.

Scully: I happened to be there by accident. This was something that had, I think, a subtle impact on people's perception of Bush, which was totally unfair, because I flew down with Roger and we went through for two and a half hours what was in the health plan, and he was at a Grocery Manufacturers Convention, I think in Orlando or Tampa, for three or four hours. I didn't have anything to do, so I followed him around. I remember going up to that grocery scanner. He was just being a nice guy, typical Bush. "Hey, that looks interesting. I've never seen one of those before."

The press, you could just see their eyes light up. I don't know if you remember this, "George Bush is out of touch, hasn't been in a grocery store, doesn't know what milk costs," and that became a big theme for him, being out of touch, and it was complete garbage. He was just being a typical nice guy. You know, small talk. "That looks interesting. Show me about that." Just fried him, and I could see it because I was spending a lot of time with the press at that point.

Shreve: So that wasn't an actual grocery store? It was a convention?

Scully: It was a convention of grocery manufacturers and a huge convention hall. They had a demonstration there. Bush was wandering around with press all around him and said, "What's that? That looks interesting." And the guy demonstrated how it worked and he was acting interested and he knew exactly what it was, but they jumped all over him as if the guy doesn't know what the price of a quart of milk is. Totally bogus. Anyway, nothing to do with health care.

Young: Maybe there was a good reason why the President didn't want to expose himself too much to this kind of thing. When you get treated like that, it doesn't exactly make you feel—

Scully: I don't think he knew it was big deal until the next day. Oh, my God, some of these guys' eyes light up.

Young: Who knew there'd be fallout?

Scully: It was kind of one of those things where if you looked at the press the next day it was barely mentioned but it grew, kind of became this mythical thing.

Strong: Almost every President has one of those things. Johnson picks up a dog by the ears and everybody remembers that picture.

Scully: Gall bladder scar. What was that? I forgot.

Young: The rabbit attacked him, the killer rabbit.

Masoud: With Carter?

Young: Yes. Well, I've actually seen a photograph of that. The White House photographer got a picture of the rabbit. Of course, it wasn't attacking Carter. Carter was trying to get it to keep it from running into the motor on his boat. It was being chased by a dog. It was the funniest thing you ever saw.

Strong: And, of course, Gerald Ford is not clumsy, but there are pictures of him falling.

Scully: Oh, he really isn't clumsy?

Strong: No.

Scully: You would think that every golf ball he ever hit hit somebody.

Young: He's arguably the most athletic in the modern Presidency. Bush would be close.

Scully: He was a great football player.

Shreve: Of course, he's in office 50 years after his athletic prime, which makes a difference, but—

Scully: But still, by himself, he was a good athlete.

Strong: I want to ask a series of questions about Bush and common things said about him and about Presidents in general. First of all—

Scully: I'll give you an anecdote about a different little office thing because are a couple of things that we should switch back to under Baker's period, which is totally different.

Young: Why don't you?

Scully: No. I'll remember them.

Strong: First of all, he's famous for writing notes to people, for calling them and really having a personal touch. Were you ever the recipient of any of those?

Scully: Well, the personal touch—he's always just an incredibly nice guy. In fact, they still do that. My wife called me last night. We were up in Kennebunkport this weekend. My wife left me a little thing for Mrs. Bush and two days later she gets a long note in the mail from Mrs. Bush about how nice it was that she left her some note cards. They just do a lot of little things.

Strong: All politicians do some of that.

Scully: No, I don't think it's like that—

Strong: It isn't like that?

Scully: Maybe it's too much upper, upbred training, whatever, but I just think they're nice, polite people. At this point in his life, he doesn't give a damn what anybody thinks of him. I think his driving—he would like to see George W. get elected President. They'd like to see Jeb be President, but I think he's at a stage of his life—it's sad he lost. I think in a lot of ways personally it was great for him. He's happy as I've ever seen him and I think he's had a great couple of years. I think he's frustrated that he lost, but I think he's extremely happy and I don't think he gives a damn what anybody thinks of him. He's incredibly nice. If you go up and spend time with him up there, he can't spend enough time taking you out in the boat, running you around, talking to you. When I go up there he'll take my wife aside and chat with her for half an hour. She's astounded. They're just nice people.

Strong: And related to that—this is not somebody who has a kitchen cabinet, but this is somebody who has a wide, wide circle of people he communicates with. Did you see feedback from that? Would you get a phone call—my doctor friend in Houston is mad at you? Can you explain this to me?

Scully: Yes. But they were not—

Strong: Call them up and—

Scully: Those usually went through Sununu. Occasionally things like—Teeter and I got to be friendly. Bob Teeter was our pollster and was involved, and I remember one day I got a phone call saying, "Hey, you've got to go to"—nicely, because Teeter's a pretty a nice guy too—"can you go to Nashville tomorrow morning and give a speech at 4: 00 in the afternoon? We've just got to do it for this woman who runs the nursing school at Vanderbilt." So I of course hopped on the plane and went down and gave a speech the next morning at Vanderbilt's nursing school to a couple hundred people.

I don't know why they needed somebody at the last minute, but it turned out it was Colleen Welch. I don't know if you know who Ted Welch is. He's probably the biggest Republican fundraiser in the country. His wife happens to be dean of the Vanderbilt nursing school. She's wonderful and I've gotten to be good friends with her since, and she was on the Medicare commissions. She's kind of the health policy expert, but you get things like that.

Ailes would call me up even long after the campaign was over and halfway through the administration over policy problems with little things that he would bother with, so there was a pretty wide circle of people. But the only ones who called me directly were the ones I knew, usually. And twice a year there'd be some budget thing, so usually an arts, the NEA, one of the artsy things that Mrs. Bush would call up and she'd have some friend who was concerned about it.

Strong: Was there any evidence that Bush was using this circle to collect useful information for himself?

Scully: He had a million friends, but in my experience, those people were probably on the board. He had people at a different level and guys like David Demarest and Phil Brady probably were involved in policy but they spent a lot more time with him and saw him a lot and traveled with him a lot. There were people who were the personal entourage, who took care of him. There were the people who were back there writing the policy papers. I was generally the guy writing the policy papers, so I probably had less of a personal relationship with President Bush. I also started out as kind of a third-tier staff person and over the course of four years ended up seeing a lot more of him the last year, so you'd probably get much better personal commentary on who he talked to and who he saw.

My experience with him was that I saw that most of his really good friends relied on a lot of them. A lot of them were people he had in his Cabinet like Nick Brady, to whom he talked very easily and relied on. Baker. [Robert] Mosbacher. You can see the guys were old friends when they were around. He liked Darman and respected Darman, thought Darman was a smart guy, but he was a little wary of what angle he was taking. I think Darman was much more aggressive on policy, for instance, and probably knew more about the workings of government than any of those guys. You could just tell when Nick Brady was in the room or Mosbacher, some of these other guys, that he was much less on guard, much more joking, whereas if a guy like Kemp—I think he liked Kemp personally, I think he had very little use for him politically.

Shreve: The policy effects were not immediate then?

Scully: You could tell who was in the room. At least, in my perception. He was more engaged or more relaxed depending on who he was talking to.

Young: What about his friends? He had some personal friends in Congress, too.

Scully: Well, they had huge impact on him. Sonny Montgomery—the Montgomery G.I. Bill—Montgomery is now retired, just out of commission. He was a nice guy, Sonny's from north Mississippi, but he and Bush were great friends in Congress and he's a real conservative Democrat. He and Bush were just very good personal friends, and so after the first five calls I got saying Sonny called the President and this is what we need, you kind of—

Sonny Montgomery used to have lunch every day at 2:00 in the House dining room at the same table, so any time I needed to do something I'd just show up at 2: 00. I must have had lunch with him 30 times. If I had a problem, I wouldn't even bother his staff or screw around with this stuff, I'd just go up. And he'd go, "Scully, buy me lunch and sit down," and we'd work out our problems. But he was setting an awful lot of VA policy without knowing it because I could either wait until I got the call from the President that Sonny called or go work it out ahead of time. So, that's just the way it worked, but Sonny Montgomery had a huge impact on that issue.

If you went back and looked at the veterans' budget for our four years, nobody will realize it, but they were a hell of a lot bigger than it otherwise would have been because of Sonny Montgomery. Just because we sent up what he thought was appropriate and he was the chairman of the committee that oversaw it and he was a good friend of Bush.

Bush had a great relationship with Rostenkowski. He had a good relationship with all those guys. I think there was just a lot of mutual respect among all of them. The only guy who had an edge, and it got tougher at the end and I happen to like him too, was George Mitchell. Anyway, when you sat in the room with congressional—I was almost always at the congressional leadership meetings.

Young: I was just going to ask you about that. What, every two weeks or so? Or every month?

Scully: Random. They sometimes were real frequent. Sometimes not that frequent. They would have meetings with committees where they'd bring up the top five guys on each side of the Ways and Means Committee and the Finance Committee on the issue and they were always kind of formal. The seating depending on who the rank was closest to the President, kind of like Cabinet meetings, but once they got started they were usually pretty loose because a lot of these guys had known Bush for years, and even the Democrats liked him and dealt with him pretty easily.

Frequently it was as tense with the Republicans if not more because they would frequently get mad that he knew the Democrats so well. They didn't get mad but you could just tell. He got along with Foley very well. Byrd's a very quirky guy, so I don't think Bush had a great relationship with Byrd, but Darman and I spent a ton of time with Byrd and we cut a lot of deals with him and Byrd's not a real easy guy to get to know, but he's a great guy to cut deals with because he sticks to them.

Mitchell and Bush got along pretty well and Mitchell always had an edge and you always knew when push came to shove he would do the political route and kick the hell out of you, so I think we were always a little wary of that. But Foley was very easy to go deal with and Foley and Michel got along really well; they had a great relationship. That kind of changed when Newt came in and started throwing bombs because there was a very—For years there'd be a very cordial relationship among downtrodden Republican minority that just kind of succumbed to getting beaten up. They were friendly and respectful and they all played golf together and were buddies, but the Democrats ignored them.

I think Gingrich kind of came in with this attitude of *let's blow them up*, and that changed things. Gingrich wasn't included in a lot of the initial meetings, but more and more as Michel was retiring Gingrich got more involved. That whole relationship with the White House changed. The Republicans, to Gingrich's credit, became much bigger players and I never had to deal with Mark, but it was also much more tension there.

Young: Were the leaders' meetings always with Democrats and Republicans?

Scully: No. Most of the time they were. Occasionally there were meetings—either the Republicans were mad about something—there were occasionally meetings where they did. There was never a meeting that I know, at least a formal one. I'm sure there were tons of informal ones, just with Democrats.

Young: Or just with Republicans?

Scully: There probably were some that were just with Republicans and there were probably two-thirds of them that were both. There were frequently times when you'd get called up and you'd go to Sununu's office and he'd be sitting there with two or three guys. I mentioned Bill Gradison came down to blow up the health care plan, and that was just me, Darman, and Skinner, but there were plenty of those meetings where you'd get called in. One thing I never quite understood was that members of Congress, no matter what the reason was, liked being called to the White House. Could tell everybody, "Hey, I'm going to the White House."

Young: How was the agenda for these meetings set? What would be discussed? Was it the leader's agenda? The President's agenda? Was it worked out ahead of time?

Scully: Oh, it was always worked out ahead of time. They frequently got off theme, but the agenda for those meetings was usually set by—Occasionally it would be set because Darman or Sununu or later Skinner thought we should have a meeting, but frequently they would have them sweepingly every two or three weeks. Or if Congress comes back on Wednesday, it would be highly likely in that situation that the first day back, the first morning at 10: 00, the President would have invited down the leaders of both parties to say, "This is what we've got going for the next month. Here's what I'd like to help you with or work with you. What are your problems?"

Every time there was a break and a recess or a major kind of natural breaking point in the congressional session, they'd usually come back on the first morning and have a standard review of what was up and what the President wanted to do and what the gripes of the leadership were and what you wanted to work out.

Young: Did the President open the meeting?

Scully: Usually opened the meeting and talked about what the agenda was and what he was interested in and whether it was the minimum wage or the budget deal or whatever. And then usually go around the table by seniority, Democrat first. It was Foley and then Michel or Mitchell and Dole, that kind of thing going around the room.

Young: These were not sessions where anything was negotiated?

Scully: No. They were very formal, like Cabinet meetings. I never went to a Cabinet meeting, I wouldn't get anything done. Information gathering meetings that were the stiffest things I'd ever been to in my life. They were very formal, so if there's ever been a useful Cabinet meeting, I'd be surprised. They just don't happen. I mean, maybe if you were, maybe Cabinet meetings talking about the Persian Gulf War or something. Generally Cabinet meetings were very formal things and these meetings tended to be very formal and the smaller the group the less formal they got.

Strong: And is the President collecting information at these meetings? Or is it mostly here's what's my agenda's going to be, and this was the early stage?

Scully: He was collecting information and I think he was putting out what he wanted to do, and

also a lot of these guys don't talk to each other that much. I mean, they did, but there were various times when people had different relationships where they got along. At one point [Richard] Gephardt and Gingrich got along great. At other times they barely spoke to each other. Mitchell and Dole had a very good working relationship most of the time.

In a lot of cases, you can see it now when Clinton calls all the Republican leaders down and they're thinking about talking to each other and they're putting out press releases and beating the hell out of each other and then they all come out of the White House meeting saying, "Well, we're going to work together," which they usually do for three or four days. So it's almost an effort to force them to talk to each other and agree to come and try because publicly, when the President calls you down to the White House and says we ought to try to work together, it's hard to walk out and say, "Well, we told the President to go to hell."

I think as much as anything else, it means, "Let's get together." Most everybody knows what's going to be on the agenda. They know what the issues are and if you've got to vote on minimum wage or vote on the Clean Air Act or vote on whatever and you get down there and they'll say, "You're going to have a very partisan vote." You say, "Well, the Clean Air Act vote is coming up next week and we'd like to do x, y and z." And if you know Mitchell's opposed to it and he's going to say, "We're going to have to oppose you, and I think we have the votes to beat you unless you do x, y and z to change the bill," well, at least it's all on the table then and you know where everybody is.

Strong: You said yesterday that Baker didn't really have much interest in domestic policy when he was Secretary of State.

Scully: Until he came back.

Strong: Yes, until he came back.

Scully: I think he did a much better job as Chief of Staff than he gets credit for and people perceive any time—

Young: We'll get back to that.

Strong: Wouldn't Bush have made use of people like Baker and Cheney even though they had national security, foreign policy responsibilities when there was something big on his domestic plate, like the budget?

Scully: They may have talked to him privately, but I never saw it.

Strong: Using them as a sounding board of sorts.

Scully: I don't think he should have. I think he could have insisted if he wanted to, but my impression is that maybe he talked to them privately, but I don't think he did very much. Maybe Darman talked to Baker privately because obviously they'd both been in the White House and both of them had a lot of experience and both smart guys and guys that Bush respected.

Young: So was Cheney. He was Chief of Staff.

Scully: For Ford, and Cheney was a really smart, terrific guy. His wife was smart too, Lynne Cheney. I think it was more of their choice than his, and I think President Bush, they're his friends and they made it clear that this stage of their life Baker wanted to be Secretary of State and he didn't want to be Chief of Staff and Cheney wanted to be Secretary of Defense and didn't want to be Domestic Policy Advisor. While they may have gotten involved, I never—Darman was very friendly with both of them and I'm sure he probably talked to them occasionally, but I don't think either one of them had a great relationship with Sununu. I may be wrong about that. You probably could check with somebody else. But they had their own—it was irrelevant to them because they had their own avenue on their issues. Nobody ever kept Cheney or Baker from doing what they wanted to do with the President, but I never saw any sign of either one of those guys in domestic policy.

Young: What about occasions when the President would have to have a Rose Garden chat or something equivalent to that with a congressional person? Did he ever do that?

Scully: Yes.

Young: And how—

Scully: I probably didn't know a lot about them but I used to see—I'd occasionally be walking around the West Wing and see a member coming out. *What the hell's he doing here?*

Young: I'm wondering how those occasions came about in connection with some problem you were having or vote that was needed badly that would require the President's personal attention. Would he mostly do it by a phone call?

Scully: Yes, a phone call, and meetings. A lot of that probably Fred McClure or Nick Calio about who did what, but I know he did a ton of it because we'd get lists of people to call and talk to when there were close votes, and we spent an enormous amount of time calling people on votes. Obviously a call from the President has a much bigger impact, and he had a lot of members and other people down all the time to dinner at the private residence.

He'd go down to watch movies and he was constantly having members doing that, but a lot of times it was just because they were his buddies as much as the fact as he had them down to lobby them. Also, if he didn't like somebody, he'd never say it publicly, but if he didn't like somebody—and there were people he didn't like—it didn't matter how much you wanted the vote, I don't think he was going to have them. He's pretty personal in his relationships.

Young: I wasn't talking about only when a vote was needed, but when some support on policy was needed before it even came to a vote. Did he cultivate certain people in Congress and try to get them on his side?

Scully: But a lot of them were, even he knew most of them really well, for 25 years. A lot of

those guys had been on Ways and Means. He knew Rostenkowski better than any of us and had constant conversations with him, and at that point, Rostenkowski was the dominant force. He had a very good relationship with Foley. I don't he talked to him as much. Mitchell always had a little more of a partisan angle. He was friendly with Moynihan. Bentsen was chairman of Finance, and he and Bentsen had known each other for years and had run against each other.

Young: This would be a phone work largely as well as—

Scully: I don't remember Bentsen coming down. Bentsen would be a good example where he and President Bush had run against each other and known each other from Texas politics forever and had an extremely respectful and very friendly—you'd have to ask him, but I think he actually liked Lloyd Bentsen quite a bit. But Bentsen's a very formal guy and he's not the kind of guy you're going to be as chummy with the President. Bush is a chummy guy. I think he liked to be very friendly with people. I think he had a very frank, honest relationship with Bentsen.

He'd think about it and pick up the phone and call Bentsen to talk to him. They'd known each other forever and I think he trusted him and thought he was a very solid, honorable, decent guy, but I don't think they were chummy. I don't think he had him down to the White House for personal dinners and that kind of stuff, so his relationships were very different. But in those days probably the two most important people in Congress for most big domestic policy issues were Bentsen and Rostenkowski, and I think the relationships with both of them were different. It was much chummier and friendlier with Rostenkowski, who loved to come down and hang around the Oval Office and talk about stuff.

I'm trying to think who was big player back then The budget committees got somewhat involved, and that was Panetta, a great guy. I don't think Bush was particularly close to Panetta, but Darman and Panetta were very close and talked all the time. And Sasser, who was just not as engaged, he wasn't a big player.

Strong: Another thing commonly said about Presidents in the White House is that there's noticeable change over time, and that's said in two connections. One, that it's a trying job and it wears you down and things may be a different in a third or fourth year than they are in first or second. Secondly, that there's a kind of learning process that goes on, particularly in the first year, and a settling in that has some real effect. You might even think about the Presidency as having a kind of a life cycle. Is that something worth pursuing or is George Bush the friendly engaged energetic fellow, basically good natured, the whole way?

Scully: I think he was like that all the way through. The changes were more reacting to how Congress dealt with him or the public dealt with him. A lot of people don't realize the Presidency, his staff, the Cabinet members, are changing all the time. They had different approaches, different tones, different themes, different things they're doing on education, for instance.

I said the whole theme or the focus of education changed from depending on who was the Secretary of Education. I don't really think I saw any big changes or trends. I just think there seemed to be overwhelming things going on. The first couple of years we really stuck to our

knitting. We had good relations with Congress. There really wasn't any thought when we first got elected in '89 there was ever going to be any threat of a Republican Congress, so it was just the way it was, you know. You just dealt with an overwhelming Democratic Congress and a Republican President, so we did a lot of stuff the first year, year and a half. The '90 budget deal really started I think in January of '89, so we did a lot of stuff the first year that was general domestic policy stuff.

I remember mentioning here—I spent a huge amount of time on the savings and loan thing. I think I mentioned that yesterday but the first year outside of the Medicare stuff, I can't remember why I got involved in it, but I did a lot of that for Darman for whatever reason. I think I was doing the legislative affairs job, doing the health thing, but I spent a huge amount of time on the S&L bailout.

Strong: So if you were going track changes in the Bush administration, you wouldn't focus on Bush, you'd focus on the staff shifts.

Scully: No. I'd focus on the surrounding events. But I'm saying if you look at the way he changed and the perception, I don't think he changed. First of all, I saw a lot more of him and knew him better and had a much more personal relationship about seeing what he was doing day to day probably in the last year. I was in meetings with him once every two weeks from the beginning, but he knew I was one of Darman's guys and he knew I worked in the White House some place. I think he thought I was a TV producer on the campaign . He knew I was around and he'd seen me a lot, but I don't really think he knew what the hell I did, so I'd probably not be the best judge of him. My view is that the events drove a lot of stuff much more than him changing, but I don't think he changed. He was always nice. He was always the same way with members of Congress. He was always pretty engaged.

I talked to Marlin, who had the perception that he changed because of his thyroid thing. He lost energy and didn't care and didn't have the fight. I never saw any of that. I saw him hanging in there and being tough. He was the only guy at the end who thought he was still going to win and was still energized and was still mad. I could give you some examples about that in the Oval Office. He always appeared the same to me and I just missed when his energy dropped a little bit. I didn't see that.

The first year we had a lot of stuff going on and he came in as a new President—everything's new, everything's fun, everything's a new experience, everybody's excited every day, and that was kind of what I remember the first year. A lot of us had been working for Bush for ten years and all of a sudden he was a President and we were in the middle of doing all this stuff and it was fun, and everybody was excited and upbeat. Then when we came into the second thing, at least for me, and I may have been suffering more than most people, but from the very beginning of 1990 after we put out our budget in January, we were in the budget negotiating mode or positioning ourselves to do that the entire year, so that was all consuming from January of 1990 on.

We may not have cut the deal until December, but we had a gigantic budget deficit and the driving force of the administration was to position ourselves to get as much leverage as we could

and cut some kind of a budget deal the whole year. There was a lot of other stuff going on, but that was the overriding thing. And the Persian Gulf thing happened right after that—

Young: They sort of overlapped.

Scully: Well, I think we finished the budget deal in October and I don't know when Kuwait thing happened, whether it was October or November. I think we were still in budget negotiations when that first happened, or at least when he was threatening to go.

Young: The President was obviously very much involved in that issue.

Scully: I saw the President a lot and there were lots of legislative things going on during 1991, but from October or November of '90 through certainly the summer of '91—I guess the whole thing ended in March, but there was still a lot of holdover. But the whole fall of '90 and the entire spring and early summer of '91 there was tons of stuff going on on the Hill, and a lot of other issues going on, but I think the President's focus—we did budget briefings, we wrote a budget, we had policy discussions, this whole Medicaid DSH thing I mentioned yesterday was going on exactly during that time, and I saw him a lot about that. But it was clear that the entire focus of the administration, unless something came up as a reaction to something else going on, there wasn't a whole lot of big thinking about what our initiatives were outside of the Persian Gulf War. That was the focus.

He ran the government day to day, but other than that, the Persian Gulf was the focus, and that really dominated that whole central part of the administration. Then when you get finished with that, everybody kind of sat around and a sigh of relief, it's great, and we rested on our laurels too long. But then almost immediately the Democrats started deciding the election's a year away and decided to start kicking the hell out of us. Then everything went from being friendly and working together on the Hill and on the Persian Gulf War, to being very partisan and very tough, grind-it-out from there on out.

Shreve: It's pretty clear that the '90 budget deal gave more control to OMB than they had had previously and Darman anticipated that effect. Did the President see as much early on, or did it take him time to really see what that change implied? In other words, in terms of giving his White House some leverage as well through Darman, perhaps?

Scully: I think he probably did but—Look, Darman was a very Machiavellian guy and liked what leveraged his power—and I'm sure President Bush thinks that way, but I think he looked at it more as we've got a $300 million budget deficit we've got to do something about. I don't think he thought about who was going to have the leverage in appropriations battles on the Hill far down the road. I'm sure Darman talked to him and Sununu talked to him. I'm sure he understood, but I doubt that was his driving motivation in doing them.

Young: I'd like to get to the finish of this. Then everything changed. You mentioned earlier there was a change when Baker came in. There was certainly a change when Sununu went out. Skinner went in and just everything was very different in that last period.

Scully: To my memory of the Persian Gulf War period, when everybody's focus on that ended in May or June of '91, we all pushed at the time—At least I was pushing—to use some of our credibility. The President was at 85 percent in the polls. He ought to take some of his credibility and use it and come up with some great new domestic policy initiatives. I think I alluded to it some last night, that John Sununu was the White House equivalent of George Welsh. He likes to sit on leads. And I like Sununu, but he said some things back then about we've accomplished all we need to do—and it was really dumb and that started creating the perception that we don't need to do anything. Democrats started saying, "See, these guys still think they don't have to do anything." And, "George Bush is the do-nothing President." And we started getting beaten up on that a little bit.

Shreve: Was that part of Sununu's "less government is good government" outlook?

Scully: I think he just figured we were at 85 percent in the polls—

Shreve: And we're going to win?

Scully: And he just thought why go out and lead with our chin. It was like health care. We had a health care plan in the can, on the shelf, that we could have come out with easily in June of '91 with two weeks of work, and he said, "We're not going to do that. It's too controversial. The Democrats will beat us up and we're doing fine. Let's just keep plugging away, do our job and we'll get reelected." And that was the prevailing view then. Let's not take any big risks. Let's not doing anything too wild. Let's just plug away and do our jobs. And at the time we were at 85 percent in the polls the leading candidates running against Bush were Gephardt and Bentsen.

Bill Clinton, if you remember back then, wasn't even on the radar screen. He'd given an unbelievably bad speech at the '88 Democrat Convention for Dukakis that made him a laughingstock for a couple of years. Everybody knew he was around and he was actually one of the nicer, better Governors to deal with when we went to the National Governors Association meeting. Everybody knew he was going to run. Stephanopoulos, who's an old friend of mine, was Gephardt's floor guy. When George went to work for Clinton, everybody thought he was nuts. He was a very senior guy in the House leadership, had a great job working for Gephardt, and he left to move to Little Rock to work for Bill Clinton. It would have been the equivalent of moving to—It wasn't a quite as bad as Gary Bauer, but it would have been like quitting a job in the Clinton White House now as Chief of Staff or maybe quitting a job as being Trent Lott's chief of staff to move to Ohio to run John Kasich's campaign.

I love John Kasich. But John Kasich, who just dropped out, is a long shot, and it was that much of a long shot. He was not in the upper tier of candidates. He was probably fourth or fifth or sixth at the time and nobody in the White House was thinking about Clinton. I mean, I knew him and some of us knew him and thought he was pretty smart, pretty good, but we were so far ahead that all these guys were dropping out, so we all thought we were doing great. Then Mitchell and a few of these other guys I think kind of decided—you could tell it with Mitchell almost to the day when Congress came back in the fall. The Persian Gulf air had cleared, and Mitchell literally went out on the Senate floor every day and picked a fight, and just beat us up.

Young: So the political water certainly changed. It was a new season. Sununu went out.

Scully: Sununu kind of deteriorated over the fall. He had that stamp problem.

Young: And then he left. And then there were some big changes, not only in the outside environment but also in the way things were going in the White House. Then Baker came in and things were different after that. Could you run us through that?

Scully: Yes. Well, what happened was Sununu had a lot of enemies and Sununu started to weaken. It was like vultures circling. I know just from going to these meetings with my old friends who worked at the White House. All those guys can't stand him. It was pretty tough on him and Sununu started to weaken and other people started to circle him. I don't think Baker and Cheney had any great love for him because he'd tried to cut them off at various times. Other people who were friends of Bush's he was not probably overly diplomatic with, and he had accumulated a pretty big number of enemies for just being a bully.

He made a couple of dumb statements and we started to drop in the polls a little bit during the fall of '91. I can't remember. There're probably other mitigating factors. Then he had that little stamp-collecting problem, where he got beat up for that mini scandal of driving to New York for a stamp collection I think with his driver, and that was really used as the hook of why he had to go. He got canned in the first week of December if I remember correctly. It was pretty obvious all through November that he might not make it. Actually pretty obvious to everybody but me, too, I remember. I remember walking up the street with the *Washington Post* reporter, up West Exec., and he was saying. "I hear Sununu's going to go to—" I said, "No way. Sununu's never going to go. He's in there forever." When I walked back, he'd gotten canned .

But even then, Sam Skinner, whom I like still, was clearly angling for the job for months. He'd show up at the White House gym every day to work—He was just around a lot. He was there every day for lunch. He was there in the gym every day and you could see this little subtle campaign going on, but nobody was too stunned when Skinner became the next Chief of Staff. He was a good Secretary of Transportation. Everybody liked him and he was a great guy, but Sununu wasn't any radical change.

Right before Christmas there wasn't a whole lot going on. Sununu got canned, Skinner came in, and very slowly—it was like molasses. Everybody was expecting a new, dynamic change and there just wasn't a hell of a lot. There was a period where we were writing the budget and a lot of that stuff, Skinner was just there. That whole December and January period is frequently dominated by the President's State of Union preparation, writing the budget. We were always very involved in the State of the Union because most of the policy was coming out of us, so that whole period of December and January was budget preparation and a new policy for the next year, State of the Union. When you come as a new Chief of Staff and you're not in it, you really can't dive in head first, so Skinner was just kind of there December, January, and hanging around.

Young: Statement about Darman?

Masoud: No, the dumbest thing he ever did was he brought this guy Gene Croisant. I think this was symbolic for him not knowing what the hell he was doing, which really him cost him a lot more respect than he thought. Most people in the White House had been working there for years and had gone through a lot of stuff, and all of a sudden this guy from Chicago who didn't know anything about Washington or anything about politics, a human resources guy, Sam's friend, comes in and spends two hours with everybody interviewing. It was like sensitivity training or something. It was just the biggest bunch of crap you've ever seen in your entire life, and it became a joke in the White House. How out of touch is this guy?

And I knew Sam because I was his transition aide and I liked him a lot and spent a lot of time talking with him during the period because he hated Darman. It was abundantly clear from the beginning that Darman hated him and was out to get him and I was friendly with Skinner personally and worked for Darman. I probably was personally more friendly with Skinner than Darman, so I was pretty much stuck in the middle.

Shreve: How high up did this interviews go?

Scully: Everybody.

Shreve: Wow.

Masoud: Who else was angling for the Chief of Staff job besides Skinner? Was [Andrew] Card up for that job?

Scully: He might have been, but Andy's not the kind of guy who angles for anything. Andy's a pretty straightforward guy, which is why when he was Sununu's deputy, when Sununu got canned, it was obvious Andy wasn't going to stay forever. It's not often you take the Deputy Chief of Staff and make him Secretary of Transportation. I think Andy was really well liked and really did a good job, even though it would not be appropriate for him to stay under Skinner because Skinner wanted one of his own guys.

Then Skinner—I'm going to get really mean here—Skinner just brought in a lot of bad people. He brought in and he just kept changing horses. It was like when I was at Akin, Gump, or Patton, Boggs, two big lobbying law firms. We had a rule at Patton, Boggs. You never hire a member of Congress, because they don't work. They expect everybody else to do the work. Former members of Congress don't work, they don't lobby. With rare exceptions, they're useless. They want to be retired and they want somebody else to pay them, so Skinner brought in Hensen Moore, who's a lovely guy, as his Deputy Chief of Staff.

While the Chief of Staff sits around and makes big decisions, the Deputy Chief of Staff writes notes and runs off and makes sure they all get done, and Andy was great at that. Sununu would make a decision or sit around and Andy would go off—everybody loved Andy and a lot of people didn't like Sununu. Andy would carry these things out and make sure they all got done and Andy was, in my opinion, the best liked guy in the White House. And he was perfect for Sununu for that purpose.

Skinner came in and had the same kind of [Cabinet]. He's a wonderful guy but the same kind of, "I'll do the big picture, somebody else carry the details," except Hensen, who was his deputy, would sit in the same meetings and he'd be looking around for something to carry out the details. He's a great guy and he has the office upstairs from me now and he couldn't be any nicer, but he's a former Congressman. He wasn't going to do the scut work, so he was looking around. He wanted to be a big picture guy and as a result, he didn't carry out the details. Then the other mistake is Roger Porter was I think perceived as being a wonderful, terrific guy but not an activist certainly, so he brought in Clayton Yeutter, who's also a great guy and had been the Secretary of Agriculture, as the Domestic Policy Advisor. Clayton Yeutter had not a clue what the hell he was doing. He knew a lot about agriculture. He also was more of a big-picture guy and not a detail guy.

People in Roger's job need to be up on the Hill running around doing stuff and writing policy papers and coming up with new ideas. None of that happened, so that whole spring there was a new announcement every day about some new great person coming in. None of them did anything.

Masoud: Whose decision was that to put Yeutter into a domestic policy?

Scully: It was Skinner's.

Masoud: Skinner's decision?

Scully: I'm sure President Bush was involved in it, but Yeutter was I think over at the RNC [Republican National Committee] before. No, maybe he shifted out to RNC after that. It just didn't work out. Yeutter might have gone to the RNC in June and Baker pushed him out, but Yeutter probably came over—and I had half the Ag Department's budget, all the food stamp stuff, so I knew Yeutter. He was a great guy. I didn't know Hensen before he came in and I liked Hensen, but Hensen just was no—some people just were not in the right spot.

Young: So the Chief of Staff's job was really not getting done?

Scully: Nothing was getting done. In January Skinner came in and picked his fight with Darman. Darman and Andy got along great. The White House is basically is support entity for the President. You tell the departments what to do, and in Sununu's operation most of the actual negotiations, the stuff on the Hill, the meat and the substance, effectively Darman was Sununu's staff along with Andy. A lot of the real domestic policy detail Darman just did. Well, Darman and Skinner had from the very beginning very little relationship. We were still doing a lot of stuff with OMB, but Skinner didn't really want to get Darman involved in much.

I'll give you one perfect example of that. I did all the health care policy for first three years and I was it. Bill Roper was there for a year and then he left, but after that anything in health care I did. Skinner and I were good friends, but I was one of Darman's deputies, and I remember when Sam called me one day and said, "Look, off the record here, I've got to find a health care person. I like you, but you work for Darman, and I've got to have somebody in the White House who knows health care because health care's going to be a big issue this year. I mean no disrespect

for you, I want to keep you involved, but unless you don't want to work for Darman anymore, I've got have my own person working with me for health care. Here's a list of five people that I'm thinking about. Which of these people do you get along with?"

Gail Wilensky, who was the HCFA administrator I mentioned yesterday, was a very good friend and I worked all kinds of stuff with her. I said, "Well, Gail's a great friend of mine. We have a great relationship. She'd be perfect." So he hired Gail. Gail came in and was the Health Care Advisor starting in March or April and was the Deputy Domestic Policy Advisor working under Roger. She was brought in under Skinner 100 percent so Skinner would have his own person on health care who wasn't a Darman person, which is a perfect example.

Shreve: How did that change things at HCFA? Or did it? Over at the Health Care Financing Administration, did that—

Scully: I don't know if you know Gail Wilensky, but Gail and I had done most of the health policy together and ignored Sullivan. The biggest change was it shows how paranoid Sullivan was. For years, Gail was at HCFA. I was at OMB and we kind of ignored Sullivan's office, so Gail was very unhappy because eventually what happened when we were trying to write the health care plan—I'm bouncing around here, but in fall of '91 we were writing the health care plan. Darman said we ought to get Gail Wilensky involved and I said great. So I called over to the Deputy Secretary of HHS, Kevin Moley, who's a good friend of mine but who was very aware of this relationship that Gail and I had and Darman and Gail had at HCFA. He said, "No way, she can't get involved." She couldn't get involved in writing in the health plan all during the winter of '91 and early '92. They cut her out.

Sullivan would come sit in these meetings with us and not participate. He didn't know anything. He'd come to many, many meetings. Darman and Sullivan and I would sit around for hours talking about this health care plan when Sullivan would more or less just listen, but Gail got frustrated—she was angry they were trying to cut her off. So when Skinner offered her the job, she took it in two seconds. The guy from HHS freaked out and believe it or not, Sullivan called me up the next day and said he really needed somebody good to run HCFA. "Do you think you could go over and run HCFA?" He wanted me to go take her place because they were afraid of getting cut out.

The reality is they got totally cut out. They had an acting guy for the rest of the year at HCFA who did it, and Gail ran health policy. Nothing changed. She just went over to the White House. But my point is the silliness that was going on at the time. Gail happened to be a great friend of mine so it worked out fine and she and I just did everything together as we always had and it wasn't a big deal. But it was competitive enough that Skinner felt like he had to recreate his own, his way of bringing Clayton Yeutter in as a big name. He had to find a way to get around Darman, who dominated domestic policy, so he needed to bring in Clayton Yeutter to be the head of Domestic Policy and Yeutter just wasn't the guy. See what I'm saying?

Young: But Darman still ran—

Scully: Well, but they didn't work together very well. Darman and Sununu were inseparable,

and Darman and Skinner were competing with each other and beating each other up and it was unfortunate.

Young: So the tag team wasn't there anymore.

Scully: The reality is, who cared? Even if you hate each other, and I don't think they personally hate each other, but you wanted to work together. I mean, it was very damaging to the President, that whole key period of time, I believe, and I'm not sure the President understood this. From January of '92 to August of '92, when the administration cratered and nothing got done and no decisions were made and the campaign was a mess, you had a lot of this competitive garbage going on that was just silliness in my opinion. That's my point.

Strong: And that was the question actually I wanted to ask. Should a President know that that's going on? Clearly Presidents can a play a large role in choosing a Chief of Staff and setting up the people who are going to work in the White House. Once they're running, how can a President not see that that's going on?

Scully: It's hard. I think it's hard in any organization for you to know who's at each other's throats unless somebody underneath understands the relative power and tells you about it. I would say from watching it would have been one administration, but the one thing I would think is whether you've got a good guy or a bad guy, give all the staff power to one person. And if I were Sam Skinner—and I'm sure he'd probably say this, regardless of anything, a lot of people told him when he came in as Chief of Staff to fire Darman, and I like Darman. I think Darman is a talented guy. If I'd been Sam Skinner I would have fired Darman. It would have changed the whole tone of things. I would have grabbed hold of the campaign with a death grip and told all of them, "If you don't do x, y and z you're toast." But that's not the way it worked, and he was a go along, get along guy.

Young: He wasn't the kind of person, from what I gathered, who would do things.

Scully: No. He didn't want to. He was having a great fun, "I'm the Chief of Staff." I remember the *New York Times* did a big magazine cover story on what a great guy he was and a great great job he was going to do. He was a great guy, but it was impossible to get decisions out of him.

Young: Well, sooner or later—

Scully: He had some good guys with him—Cam Findley, who was a guy you probably ought to talk to. During that period he was his key deputy. Cam was a real young lawyer who came over with him from Transportation who was a really good guy. I think Cam was the best guy Skinner brought over, so if you do anything on Bush—I mean, you look at the blow-up of the Bush administration—in my humble opinion, that period of January to August killed us, and if you look at what happened or what was going on, you ought to talk to Sam. But Cam Finley is the other key guy. Cam was not the Deputy Chief of Staff, Hensen was. But Cam was effective and Cam was executive assistant to Sam Skinner and he was the guy—He did what Andy Card did for Sununu. He's a lawyer in Chicago at some big law firm.

Young: But then it was recognized, apparently. How did Skinner get moved out and Baker get moved in?

Scully: We were dropping like a rock in the polls.

Young: Somebody perceived something was wrong.

Scully: Yes, I think it was the President, but it was also a lot of the President's friends. I don't know because I wasn't in on the conversation, but I think it was Baker and Cheney and some of those other guys who said something's got to change. Well, you know, it's kind of like saying, "Something's got to change. You've got to get rid of that guy." Then saying, "OK, you take him." I think Baker had honestly no desire to be Chief of Staff, and that was abundantly clear. It was kind of like you've got to get rid of this guy. But if he had known they were going to say, "OK, you're taking his place," he probably never would have said a word.

Young: "On second thought, Mr. President—"

Scully: Darman survived the whole period and Darman clearly was after him from the beginning. I'm sure Darman probably just said this guy's incompetent eight million times and it was annoying to me because Sam Skinner's still a friend of mine. He's a very nice guy and it bothered me that Darman went after him so aggressively from the very first day, as I told you. Sam was not the right guy for the job no matter what he'd done. He should have done things differently, but he was the wrong guy at the wrong time for the wrong job. And should the President know that? I don't know.

I knew Sam when he was Secretary of Transportation. He was a very good Secretary of Transportation. I don't think I would have known that. If you had told me he was the best guy to be Chief of Staff in December if Sununu was going to go, Skinner was on top of everybody's list. Everybody thought he'd be good and he wasn't. It's hard to know that before it happened. The President is a very loyal guy and he did not want to get rid of Skinner. It's hard to do.

We had pressure to get rid of Quayle on the ticket that whole summer. I heard everybody talking about it, but I never heard President Bush talk about it. I don't think it ever crossed his mind, but the Skinner thing was obviously bad from almost the—everybody was waiting for the big change. Well, there was never any big change and nothing ever happened and I think by March it was abundantly clear he shouldn't have been there and we kept dropping in the polls. It was just a wild year.

Young: How did the change come about then? Do you know?

Scully: I don't know who exactly fired him. Probably Baker did not. It was clear by June that Skinner was going to be gone. Baker was clearly going to become his Chief of Staff. I believe personally that regardless of how good a candidate Clinton was, if Jim Baker had come in as Chief of Staff in March we would have won the election easily. That's my own personal view, not that Clinton's not great, but we were just—there was a perception in the press, in Washington, and everywhere, that we were an unguided missile that whole year. Perot was

coming in and taking shots at us. The campaign just wasn't going very well the whole time. Even the whole primary period, the whole time Pat Buchanan was beating us up we just weren't responding very well. Just the whole—

There were a million events during that whole fall that I could reconstruct, but we just weren't responding to the beating we were taking on the Hill. Everything that whole year was set up by the Democratic majority to embarrass Bush. The whole spring I remember being a nightmare. Decisions weren't made and responded slowly to everything.

Young: When Baker came in it was sort of too late, or things did change?

Scully: No, it was too late. It was way too late. If Baker had come in even in June. I think it was clearly decided that Skinner was not going to stay. Skinner may not have known that, but everybody was talking about the fact that Skinner was going to go. It was just a matter of time, probably by May or June, and Baker was clearly going to come in. I think everybody knew that, we just didn't know when. Baker didn't want to come in until he absolutely positively had to, and I think we finally announced in mid-August that Baker was coming in on Labor Day. And Baker still didn't really want to come in.

There was some diplomatic effort to make Sam Skinner, I forget the name. They gave Skinner and Yeutter different—They made Yeutter the councilor to the RNC or something and they made Skinner personal advisor to the President. Made some effort to paper it over and make it look good, but the fact that Baker was coming in—Baker clearly didn't want to be there.

Baker came over and decided the White House staff was a disaster, which it was. He almost made a conscious effort to say that working in the campaign in the fall was like working on a really small congressional campaign, because we had a couple of people working in the White House, but they were on lunch break the whole fall. My perception is that you'd have to ask Baker. I don't think Baker trusted them or thought the White House staff was any good. His view was just ignore them.

Darman was his deputy and he and Darman were close, so he used Darman. At that point Bob Grady and I were the original people left from Darman that were around, so we shifted over to the White House staff and became the Deputy Domestic Policy Advisors. It was like we were cranking out—it was like a small little congressional campaign. There was no great staff support. It was shocking.

He brought over Margaret Tutwiler from State and Scott Collins. He had a little group of three or four—Bob Zoellick, who was terrific. I think those people did a tremendous job, but they also kind of walled themselves off and said this place is a disaster, we're going to do the best we can. They determined pretty late that we were in such a mess at that point that the only way to win was just scream tax cuts. Democrats wanted to increase spending and I remember that most of the fall campaign was just tax and spend ads.

I'll give an example of how disarrayed the White House was. Dennis Ross was theoretically my boss and I think I talked to Dennis once. Dennis was the Domestic Policy Advisor and Dennis

was still in the Middle East in the peace negotiating. Dennis was in the Middle East the entire fall. He was never in Washington, but that was the payroll. Baker even then still wanted to stay involved and engaged as much he could in the State Department stuff, but Dennis was his guy and [Lawrence] Eagleburger was the Secretary of State and he wanted Dennis with him so he brought him over. The best payroll slot with the right pay grade was Domestic Policy Advisor, so if you look on the payroll from the fall of '92, you'll find Dennis Ross is Domestic Policy Advisor. But it's pretty funny because Dennis couldn't find the United States with a cab.

Masoud: But he didn't bring Dennis, in other words, to do domestic policy? That's not how we should read it?

Scully: Dennis's research assistant was a nice young guy—I forgot what his name is, very funny, heavy guy with glasses, did a lot of the personal stuff with Baker as far as keeping Baker up to speed on what was going on, and we'd have a conference call with Dennis or stop by and chat with him once in a while. Dennis was not only the Domestic Policy Advisor, but he was one of Brady's inside group and would give political advice when he was there. He was not engaged in domestic policy at all, but it was a half-assed operation sadly by design. I can give you an example. I spent a lot more time with President Bush during that period just because there wasn't anybody else to do it.

We had the debate book, and I left my little book in the car. Typical examples: We had five days in a row of President Bush doing half hour interviews on *Good Morning America.* The press operation set this up weeks before, and nobody told me. I think Zoellick called me at home on a Sunday and said the President's doing all this stuff on *Good Morning America* this week. I don't think I did Monday. Tuesday morning was education. "Do you think you could come over and have breakfast with the President at 7: 00 and just bring a one-pager and go through education with him?" So I said fine.

I went over—literally, I've still got them all. I've got the three I did out of the five. I did education and I sat up there and had breakfast with him for a half an hour and a little one-pager, and 7: 30 we went down to the Map Room and did 20 minutes on *Good Morning America* on education. That was a pretty half-assed way to prepare for a national, however million people watch *Good Morning America*—20 million people to go through education.

The second morning was health care, which he knew not a whole lot about, and I didn't know the second morning was health care. Zoellick called me and said, "Oh, by the way, tomorrow morning is health care. Can you come over at 7:00 and have breakfast with him and go through health care?" I went over that day because I came in at 7: 00. He was sitting there eating his Wheaties or whatever and I think I was the only one there, maybe Zoellick was there, and Baker comes in with a newspaper and says, "Can you believe this stuff? Bill Clinton demonstrated in London when he was in school."

They had this 25-minute discussion about whether Bill Clinton—it was like sitting around your kitchen table. I mean, they sat there and argued about this. "Son of a bitch, how could he have gotten in the Soviet Union in 1967? Nobody got in the Soviet Union in 1967." Do you remember that whole thing? And they had this debate about those two issues because I think they both

came out the same day, whether Bill Clinton could've actually gotten in and what's going on here? Something's strange. Nobody gets in the Soviet Union in 1967 as a college student. That is really bizarre, which both Bush and Baker knew a lot about, obviously, and they thought it was pretty strange.

I remember having the same discussion around my kitchen table and about Bill Clinton demonstrating in London. President Bush said, "Not only a problem about somebody demonstrating against the war, but you know it's outrageous that he did it in London. It's one thing to do it in New York City, but doing it overseas in another country." We had this long debate about this, which was extremely entertaining. It was great and I'll never forget it.

It was funny and everything else, except for the fact that 7:26 he said, "OK, let's talk about health care." I still have this little marked up one-pager in my briefing book and it was very basic and even in a half an hour I couldn't have gotten into it, so we did about three minutes on health care, which is a subject he did not know a whole lot about. He went down and did 20 minutes and winged it.

If you went back and watched those tapes, he did an OK job, but it was clear that he was not personally engaged. When he answered the questions he had good themes and he's a smart guy, but he couldn't have gotten involved in the details if somebody had asked him a question about health care because he didn't know enough, and that was a great disservice. Good staff work and good preparation, that kind of stuff wouldn't have happened, and that's the kind of stuff that happens in a second-tier congressional campaign.

I don't think that's necessarily President Bush's fault. He just got to the point where the staff organization and scheduling organization and the coordination of the press—then the next day was labor and job training and I think I did that too, but I don't remember anything particularly dynamic happening. What I'm saying is you're better prepared in a good congressional campaign, you get more staff support, you get more coordination about when the interview's going to be and what you have to prepare for it. It's not the President's job to do that. There should be a whole apparatus in the White House that has that kind of set up and cookie cutter for briefings and stuff. But by that point the White House staff had probably ten people who were actually engaged in anything, and they were just running around like chickens with their heads cut off and weren't taking care of anything, and it was very ineffective.

Masoud: So why do you say that you would have won the election if Baker had come in earlier? He would have just done the same thing, wouldn't he?

Scully: No, because Baker made decisions and gave clear policy when you went into his office. He was talking about doing ads and what ads to run. He made good decisions. He made quick decisions and he got on with it. My impression—you'd have to ask him—he thought it was too late to change the White House staff wholesale at that point. It was too late to bring in all new people. That the White House staff was weak and stale and not very good, and he was better off just doing it with this core group of people that he knew.

Shreve: Relying on a small group of folks.

Scully: Which I think probably was the right call, given where he was, but the sad thing was he just didn't have the process in place to make sure that the President got really effective service.

Shreve: Did Darman's role change at that point? Or could it have potentially?

Scully: Darman became Baker's staff in the most amazing transformation. For years I saw Darman pounding his fists on the table, running the show, and the co-pilot was Sununu. Then with Baker, when you sat around a table like this with Baker and Darman, Baker would say, "We're doing this, this, this, and this." And Darman was, "Yes, sir. I'll report back to you at lunch."

Shreve: I'm thinking that his role may have changed as well in terms of providing information. It seems like he would have been the most valuable player at that point.

Scully: He was very involved, more involved. He became more dominant in that role, but it was through Baker because Darman ran the debate preparation. Darman did all that because Darman—Darman had been to Baker what Andy Card was to Sununu, and Darman was Baker's right hand guy for years.

Some people would argue, maybe I'm the only one, that Darman is the world greatest staffer. I think Darman's problem was Baker. Other people have skills dealing with people and when you get to the level of being Cabinet Secretary or Chief of Staff you have to have certain talents. Darman is brilliant. He's actually a pretty good guy if he likes you. But he can be incredibly abrasive and he can be extremely arrogant and he can be very difficult. As Jim Baker's deputy, arguably he was the greatest guy in the world to have in the White House, but as a power base of his own, he may be dangerous.

Young: During this period when you were seeing Bush fairly frequently in the last year and a half—

Scully: It was really much more intense in the last four months because I was traveling on the planes with the press and so I saw himself doing stuff.

Young: And so you were with him a lot of time when campaigning was going on? Was he an enthusiastic campaigner? Did he disconnect from policy back at the store when he was campaigning?

Scully: I think at some point at the end. He started winging stuff. You probably read some of the things about that. One of the things going in the fall—again, I may be biased by my own experience, but I think if you look at the campaign, I don't think President Bush ever thought he was going to lose. Part of that was we were down by 15 points in late August in '88 and so we were down by 10 points in late August of '92. His attitude was, *Big deal. We'll still win.*

Shreve: My part of the curve.

Scully: Then another couple of things happened. I mentioned that Hurricane Andrew had a huge impact on the campaign, on the race, because we had this Republican Convention we went into seven or eight points down. Normally you come out of that with a bounce. We stupidly—whoever decided to do it should be shot—put Pat Buchanan on to speak during the convention. Buchanan trashed Bush, did a really bad speech. We came out a little bit negative, a right-wing twist coming out of the convention and the convention ended on Thursday night, I guess.

We had a whole week of domestic policy stuff set up for the next week, and Hurricane Andrew hit. If you look back at the newspapers and the magazines, for three weeks all the news was about Hurricane Andrew. We didn't exactly respond, by some people's account, quickly enough or do enough in Hurricane Andrew. FEMA [Federal Emergency Management Agency] was a mess and Hurricane Andrew was a total nightmare. It was the worst thing I've ever seen, and I think that threw campaign off because Baker came in as Chief of Staff that weekend. It was supposed to be a big thing. We're coming out with new domestic policy initiatives.

Jim Baker, who was perceived then to be like deputy President, if you remember. This is the big deal, Jim Baker's coming back to help pull his buddy George Bush out of the rough, push him on, and we had a week and a half of domestic policy initiatives set up and the whole month of September was supposed to be the bounce-back month, where you get prepared for the debates. We knew Clinton was going to peak later. So the idea was hopefully during the month of September you get a whole new breath of fresh air in the White House. Bush would go out on the road, work hard, and we'd catch up by October. We'd have a dead heat race like we did with Dukakis. I think Hurricane Andrew threw all that off because it totally threw off the news cycles, took away any story we had on any of that stuff.

You get left with this bad taste in your mouth with Buchanan and the whole thing about Baker coming in and changing the administration was flat. It wiped out the whole news cycle on that, so the Hurricane Andrew stuff abated by the second or third week of September, the news cycle on the campaign that was to be preparing for the debates, Baker trying to figure out to how to do two debates instead of three.

How's Bush going to survive the debates? He's not as good a debater as Clinton and the whole thing was back into the debates. We're almost in the last ditch, and this whole kind of sad, "Oh, my God, we're going to lose" mentality set in and I think a lot of people, mentally gave up except for Bush. I think they got frustrated because he wouldn't get new material. He'd just get out and wing it on the stump and when I saw him I thought he was always pretty fired up. I thought he was more fired up than anybody at the very end. That's why it was frustrating to watch. While he was out there churning away, it was look over his shoulder to see where the staff were, and they were sleeping .

Young: So he wasn't at any point running scared?

Scully: I don't think he was. I don't think he knows how to run scared, personally. I think he was pretty together the whole time.

Young: Well, he wanted to get reelected and he really thought he was going to be with all the

polls dropping?

Scully: Well, there're a lot of other things, too. I was just reading *Shadow*—yes, it was bad, but he did work hard and he did catch up. If you remember that last weekend, one of the more politically outrageous things in history, we may not have won the election, but the polls were back to 2 or 3 or 4 percent going into that last weekend when what's-his-name, the special council put out their cheap shot on [Caspar] Weinberger.

I don't know what the polls were 39-35, 39-36, and we had some momentum building up and people were starting to have second thoughts about Clinton and all the stuff that we thought was happening. Would we have won the election? I don't know. I think if we had voted on Friday it would have been a very close election. We probably still would have lost, but it would have been close, and Bush felt that and everybody felt that. But the Weinberger thing came out, which was just the most unbelievable cheap shot, but as soon as that happened everybody knew we were going to lose. I think he probably knew we were going to lose too. I didn't see him—I don't think I saw him that weekend, but that had a—we probably would have lost anyway but we would have lost in a very narrow election by 1 or 2 percent. Instead, we lost by, what, 6.

Young: That optimism wasn't generally shared, was it?

Scully: I think it was in the campaign.

Young: I got the impression that people were thinking we've lost the ball game quite early.

Scully: There was this kind of upswing of hope in the last—

Young: Hope springs eternal.

Scully: But then the campaign was pretty dysfunctional. People in the White House were not engaged outside of Baker and his crowd, and there were a few people in the campaign who were running it, but you got this feeling that it was just not a real functional campaign. I don't know if Baker was asked if there was anything he could do. I mean, the campaign commercials and everything we were doing, it was just a half-assed.

I remember when Baker called me, and I wasn't really involved in the campaign, but they were going to run a campaign ad about Bill Clinton rationing insurance, a tough commercial. Janet Mullins called and said, "Can you come over to Baker's office?" I didn't get involved with commercial stuff much, but this 60s guy, Fred Steinberg, and all these guys were sitting around watching these commercials. Baker said, "I want you to watch this. Tell me if it's accurate or not."

When they flipped it on, it was a very rough, aggressive commercial about Bill Clinton rationing health care. There were lines in the waiting room and everything else, and I said, "I've got to tell you I don't think that's fair. It goes too far across the line. Some of the stuff in here is just not right. I think you ought to change this and this or change these three or four words and it'll be OK." Baker said, "We don't have time to change it. It's too late. Thanks, see you." That was it.

So the ad never ran. I felt bad about it because it was a pretty good ad if they'd maybe changed two or three words. But I just think that was an example of the cast that were in there running these ads. Everything was helter-skelter at the time. This was probably three weeks before the election. They killed the ad, which was a very aggressive ad about health care.

Young: So he really did take charge of the campaign?

Scully: Oh, he took total charge early in my impression, but it just became like a small congressional campaign. I think Baker was trying. I think President Bush was trying really, really hard. But the whole infrastructure of excitement in the party and excitement in the White House and excitement in the campaign about getting up every morning and putting out yard signs and beating up people in train stations, just the whole image and perception you need to press on your campaign to win, just wasn't there outside of President Bush, I don't think. And that was not a good service to him. I think he was pretty revved up the whole time.

Who knows would we have won or not? It would have been very close. We probably still would have lost, but I still think that we would have lost narrowly if it hadn't been for the Weinberger thing. There was probably a little bit of an upswing in the last two weeks. People thought maybe we'll do OK. But he clearly got crushed. I think if anybody watches the debates objectively, Clinton is very good on his feet, better than President Bush is.

Strong: And what was the expectation in regard to Perot? That he was going to fall toward the end?

Scully: As I said last night, in the late spring, early summer, I don't know if it was smart or not, but the perception in the White House was we were running against Ross Perot and Bill Clinton—I can't remember what happened, but Bill Clinton had maybe run out of money and had some little scandal stuff in the summer, but Clinton's poll numbers dropped and he was losing momentum in June. Perot was gaining momentum before he dropped out over, "My daughter's wedding was raided by Martians." I don't know if you remember that. Some strange thing about his daughter's wedding, the CIA invading his daughter's wedding.

Perot was taken real seriously. There were people from the White House shuttling down there with Perot in his negotiations with Clinton's people and Bush's people, worrying about where he was going to go and who he was going to support. He dropped out for a while, but came back in. He peaked in his support in June and then he dropped out and then came back in. I think it was all the negotiations when we dropped about where he was going to throw his support, but he clearly hated President Bush for some reason. I don't think Bush ever understood. Bush thought the guy was a—I remember being around and hear him talk about Perot. He'd known Perot for years and I think he thought Perot was just a nut case. Maybe he'll tell you, but he couldn't quite figure it out the Perot thing.

I can't remember all these discussions, and Bush could certainly tell you better about that than I can, but Perot was very tied up in the Iranian thing. His people got kidnapped and maybe Bush was with the CIA then, or maybe Bush was the Vice President. Then Perot got very into POW [Prisoner of War] stuff, Viet Nam, and he came to see Bush a couple of times with these wacky

requests. Bush was nice and polite but dealt with them as wacky requests and Perot apparently went back and harped on these, "You know, this guy is not helping me out on this heroic cause I have," and he held this grudge against Bush. And Bush thought this guy was kind of a nice rich fruitcake, which is exactly who he was. If you talk to people who work for Perot, they'll still tell you he's a nice, rich fruitcake. But he got mad about it and he decided that George Bush was a bad guy and he was going to beat him, and I think that had a lot to do with Perot running. It was very obviously very damaging.

Shreve: Knowing Texas politics and how a person like Perot might still strike a chord there, do you think that led the President to overestimate his possible influence in the campaign? Because he did well in Texas, I think, and was doing better in Texas than a lot of other places.

Scully: He did well everyplace. I have two brothers that voted for Perot. I still barely speak to them. Nineteen percent of the vote. He was at 30 percent of the vote at one point. That shows as much as anything else that people didn't like Bill Clinton and they weren't happy with George Bush, and had some rational person other than Ross Perot run at that particular point in time, a Sam Nunn or Colin Powell, you could make an argument they would have won.

Masoud: And was the feeling that Perot's candidacy was really what sank the Bush administration because it took away so many potential Bush voters?

Scully: No. The Bush administration sank the Bush—I mean, we screwed up and had already gotten there, but could we still have won had Perot had not run? Had Perot not run I think we would have had a much better chance of winning. He mixed up the whole pot by getting in and being another force. He made Bill Clinton more credible. He was a force in a lot of things. I mean, if it was just Clinton versus Bush the whole time, we would have focused more on Clinton's record and more on Clinton's personal flaws. Perot got in it and mixed up the pot and just made all the variables different. He took a lot more shots at Bush than Clinton did in a lot of ways, and Perot went after Bush aggressively enough that Clinton could sit there and not—It's always hard to go after a sitting President who's still pretty well liked, and Clinton didn't have to do that as much because Perot did it for him, so I think Perot had a huge impact on a lot of things.

Young: I just remember from the outside looking at the campaign, and it did look very much as though the sitting President had a very divided party and couldn't get it together again. He had Buchanan on the right. He had Perot pulling not on the left but he had people pulling away.

Scully: People argue about where the votes came from, but everybody I knew who voted for Perot was someone who would have voted for Bush.

Young: But it was reminiscent in some ways of Carter's reelection campaign, where Ted Kennedy was always running against him, and so he comes out with a very divided party and runs a campaign against him, a very expert campaigner.

Scully: Well, there were other things, but when you're sitting in the middle it's hard to be objective. My friends who weren't in politics were beating me up at that point during the cocktail

parties or wherever else, saying it was all about the economy, that Bush didn't seem sensitive, he didn't care, and the economy was going down. Something else was probably in that mix as far as Darman and the OMB—we knew the economy was in bad shape and I think President Bush knew the economy was in bad shape. It wasn't as bad as it appeared, and I think Brady and other people got him to say, "Well, it's not as bad. We're going to be doing better."

That probably wasn't the right thing to say, but the options he has as a sitting President then were limited because the budget deal. Normally in a year like that if you're a President, Republican or Democrat, and you're trying to get some economic stimulus, you just announce a bunch of initiatives and say we're going to do them. Don't worry about the economy. I'm going to spend a billion here and a billion there whether Congress passes them or not. You just do them, and there were people in the White House arguing we should do that and politically they're probably right, but President Bush—he had this budget deal. You had these PAYGO [pay-as-you-go] rules. You had all these things that boxed you in and we were in a position where he certainly had Darman pushing him not do to it. You can't irresponsibly go out and start announcing initiatives you can't pay for. These things all have to be paid for.

Well, the average person reading *Newsweek* or watching the nightly news doesn't know what pay-fors are and doesn't give a damn. They want to know if you care about the fact that we've got 8 percent unemployment and the economy's not doing well. So you can make an argument from pure raw politics we should have gone out during that year and announced a whole bunch of new initiatives whether they were paid for or not, and just said, "We'll worry about the economy. We feel your pain. We're going to do x, y and z," whether they were dumb or not. We never did that because the White House was locked in this mind set of fiscal responsibility. Does that make sense?

Strong: It does. And Perot was making an issue out of deficits and a Democrat couldn't really have done it.

Scully: Yes.

Shreve: Darman said at one point—I think not long after the '90 budget deal—we will succeed at deficit reduction. And clearly that was one of his primary goals. But if that's all we do, we won't have done much or we won't do much. What did that suggest to you, or do you recall him saying that? In other words, I think—

Scully: He probably said it. I'm not surprised he said it.

Shreve: It sounds like what he was after was what we're thinking about—not so much the balanced budget or reducing the deficit alone, but restructuring the way money is spent in Washington and that's more important. Would that have given him an opening perhaps if?

Scully: Well, Darman that whole time, for instance, when Sununu didn't want to do anything in late '91 and then in the spring of '92, as you say, because of Perot and other factors, we kind of couldn't do anything because it cost money. I remember writing up all these initiatives and never finding ways to pay for them. There were a zillion initiatives we put out there in the course of

’92, and we had to find a way to finance them all. Darman always wanted to do them. Darman was a real policy wonk. He always wanted to do more stuff. He always wanted to be changing policy and stuff, and that’s why some Republicans always looked at him as mushy moderate. He actually was interested in social policy programs and redefining welfare and doing all that stuff, and I think he was frustrated.

Darman and Sununu are very close. When Sununu was saying we don’t need to do any more domestic policy issues, Darman really aggressively thought we should be out there using some of our capital to come up with new things like a health care reform plan. I didn’t put up the health care reform plan by myself. Darman was telling me to make sure we have a health care plan on, but he knew where the power was and the power was with Sununu, so he only did what he could do.

Shreve: So his wings were clipped a little bit during that critical period?

Scully: I don’t think they were clipped. I think he pushed as hard as he could, but he wasn’t the only—Push as hard as you can and you win some and you lose some but I think—

Shreve: I seem to recall him saying something about, in addition to the reduced deficit goals, trying to get the budget more focused toward investment rather than consumption.

Scully: The whole theme—I think I put a paper in the back here that I wrote. I put that together as a little summary of our budget. Darman spent an enormous amount of time writing budgets, which I don’t think anybody ever read except some academics who were writing articles, but the budget were always written in a way where they were actually readable as budgets go, and they had themes and they were all about investing in human capital and investing in the future. Darman was very into taking the money and trying to get rid of programs that were worthless and push money toward Head Start and WIC, and he was very into pushing money into low-income programs and pushing money into science. He was very into math and scientific research and development. He liked a lot of that, and he was very into cutting programs that he thought were worthless.

Shreve: Was there ever an opening there late in the game where he might suggest, “Well, damn the deficits, let’s target some investments with our spending initiatives and we can sell it as such that we’re still moving away from consumption—”

Scully: I can show you giant job-training initiatives we did in ’92. A couple of other health care initiatives, a couple of education initiatives, fairly big spending packages that were offset, but the press at that point was in a cynical mode. The Democrats controlled Congress. If you announced one of these things, you’re at press conference, give a little speech on the tour, and they’d say, “Yeah, right, when is Congress going to pass this?” And the Congress wasn’t going to pass it, so they didn’t take it all that seriously because they knew Congress wouldn’t pass it. They looked at it as us rearranging deck chairs on the *Titanic* to some degree, and some of these things weren’t that credible.

Even our health care plan, which I believe was extremely aggressive, would now be looked at—

If you put our health care plan out tomorrow and announced to the *Washington Post* with Ted Kennedy as the sponsor, it would be denounced as an incredible liberal outrageous big-spending health care plan that had huge regulation in it. I mean, it was not a minor plan, but we put it out too late in February of '92 and everybody had said Congress isn't going to anything like that this year. You're never going to get it passed. It costs $90 billion. Nice interesting academic contribution, but let's be real. So it was hard to get people stoked up about George Bush really wanted to change the face of health care. Had we done it in June of '91, it would have been received totally differently.

Masoud: Were there any policy episodes in this book that we didn't cover? I don't want to discuss them now, but were there any episodes that you felt were particularly important that should have been in the book?

Scully: There were so many different policy things it's hard to—

Masoud: So what we covered here was fairly representative?

Scully: Yes. There were a thousand different little job training initiatives and job training fights and other—When we come back we'll talk about the coal strike and I'll give you examples.

Shreve: Would it also be worth elaborating on the main components of that health care plan?

Scully: Sure, if you want to, because there are a great many of them. Look, I've spent a lot of time now trying to talk to Democrats about where you go from here. Believe it or not, just to show you where that health plan was, I've got a little group of senior White House (Clinton) people now who are friends of mine and we meet periodically. Once a quarter we go away for the weekend and talk about health care policy—

[BREAK]

Shreve: Do you know how that originated, Jim? Do you recall? Is that Civil War, perhaps?

Young: I don't know when they started calling them commissioned officers. No, there wasn't really any White House staff until the 1930s.

Scully: That would be interesting to look into the commissioned officers. I never quite figured it out. One of my pet peeves with the government, I found out about the Commissioned Corps at HHS, just to digress for a minute, and I picked a fight with them. I kept wondering why the hell does C. Everett Koop show up in a military uniform? What's going on here?

Shreve: Public Health Service.

Scully: Public Health Service, yes. And they all wear uniforms on Fridays, and then I found out, because I got in a big fight. It was huge, silly fight. Just shows some of the stupid things that go on. Toni Novello, who was our Surgeon General, who was a disaster, and Jim Mason, the Assistant Secretary of Health for HHS [U.S. Department of Health and Human Services]—she

was the Surgeon General and theoretically he was her boss, but she was a four-star General in the Commissioned Corps and he was a three-star General, and he didn't like that, so he went to Orrin Hatch of Utah trying to get him to pass a bill to give him another star. I thought this is absolutely outrageous. We're spending our time with Orrin Hatch trying to get another star for this bonehead, so I got mad about it.

I started looking at the Commissioned Corps and found how outrageous it was. The way it works is there are around 100,000 people working in the Public Health Service, and there are 10,000—if you both walked in tomorrow and *you* happened to apply for a slot that had a Commissioned Corps status and *you* applied and it didn't, you'd get totally different pay and benefits. *You'd* get much more than *you'd* get, with no training.

I got mad because during the Persian Gulf War you couldn't call these people up even though they're treated exactly the same as officers. They get the same retirement benefits. The same as the military, same pay, totally different from what a career civil servant gets, yet you can't call them up. One tenth of the Public Health Service has this and they get these nice little uniforms to wear, and if you go out to NIH it's like a military base. They have houses just like you go to a military base and the generals always have nice houses. If you go out to NIH, all around that campus out there there are beautiful houses that are owned by the government that are given to these senior generals in the Commissioned Corps.

so I decided to try to wipe it out. Buried in a couple of Bush budgets you'll find that the Commissioned Corps was eliminated, which is fine until I found out that my old friend Bill Roper, who's a wonderful guy who was the original deputy to Roger in the White House, was a member of the Commissioned Corps. He'd been in it because he'd been in the Public Health Service for a while, but it's ridiculous. The White House commission thing is ridiculous, but there is a Commissioned Corps in the White House and you become for some equivalent a commission, at least for the period you're in there.

Young: But you're not called into service?

Scully: You can't be called up to serve in the Persian Gulf War.

Shreve: You're talked into service in other ways.

Scully: And it's kind of silly. You didn't know that there's a commissioned officers in the White House?

Young: Well, I—

Scully: When I go through the White House staff, you'll see the Assistant to the President, Deputy Assistant to the President, and Special Assistant to the President in that order are all commissioned officers and anything below that is not a commissioned officer and you get a little commission. You get a little sign for the Secretary of State. You get a little thing that says you're a commissioned officer for the Secretary of State.

Young: I don't know when that began.

Scully: It's kind of strange, and then you get—If you're an Assistant or Deputy Assistant you get to go to the senior White House mess, and if you're a Special Assistant you get to go to the regular White House mess. I don't know if you've been in the White House but there's two messes. There's a little one and big one, and they're run by the Navy and that's kind of silly.

Masoud: You're listed also in the *Washington Social Register*. That's part of it as well.

Scully: I must have missed my listing. [*laughter*]

Young: I think the idea of the professional staff and senior staff has always been around, so you've always had the understanding about the rank, but I just don't know about the nomenclature.

Scully: Well, it's still the same because I still have—actually I was over there a couple of weeks ago for lunch and I still have some friends who work for Clinton. I still see them.

Young: There was a move some years ago to rename the White House mess.

Scully: To rename it something else?

Young: Yes, because it was the White House *mess*, and the way that played in public. [*laughter*]

Scully: Mess?

Young: Was not the Navy mess.

Scully: But P.J. O'Rourke wrote a book, *A Parliament of Whores*, which was the same thing. It *was* the White House mess. Anyway, no, I was just thinking of things. There are a million issues I worked on and there were a ton a domestic policy issues, and I was just thinking of some that wound through the administration and showed the interrelationships on the Hill and other places. I was busy and working 20 hours a day for four years, so I don't want to leave the impression we didn't have lots of things going on. We did. But just the example in '92, one that tied into the Hill and the departments and to the campaign and everything else, which is an obscure little issue, but the coal miners' health care plan was going broke.

I had the Department of Labor, and you may or may not remember that Secretary [Elizabeth] Dole early on got very tied up in a coal strike in West Virginia, where Pittston Coal shut down. It was in the papers a lot and there were a couple of people killed. Anyway, the whole fight over that was Pittston Coal was involved in—it's a big multicompany miners' pension plan.

A lot of the coal companies had gone broke, so a lot of the big ones were eating an increasingly big share of the remaining coal miners' health benefits, even the ones who hadn't worked for them. Pittston just said, "Forget it, we're out of there," and they dropped out and quit paying, which led to the strike and led to all those problems. Elizabeth Dole got involved in it, at least

PR-wise, and her deputy, a guy named Rod [Roderick DeArment], got involved in it, and I got peripherally involved in it because for some reason I had to try and become the referee and try to work it out, but increasingly this was going on through ’90 and ’91, kind of creeping along.

Elizabeth Dole left. Lynn Martin came in and she wasn’t as familiar with all this stuff and it became a bigger issue because the coal miners were threatening to strike in June of ’92. I got instructions from Skinner to get involved in this, and the President got involved in this and Skinner got involved and said, “Look, I don’t care what happens. The last thing we need with all the crap that’s been going on is a coal strike. We don’t need any strikes. Figure out a way to solve this damn thing.”

Lynn Martin was a little bit involved in it, but it was a more a Dole issue. She was gone, so I picked up the phone and called Rich Trumpka, who’s now the number two guy at the NYCIO [New York Congress of Industrial Organizations]. He moved over with [John] Sweeney, but he was the head of the UMW [United Mine Workers] at the time and I called him up out of the blue and said, “You’re probably not used to this, but I want to come talk to you about—” I think he was stunned that somebody from the Republican White House would call him up, so I went over and started working with him. As it turned out, the number one issue there was the coal miners’ bank trust fund was going broke and the coal miners were going crazy about it. They had this incredibly plush, ridiculous health benefits plan that they, of course, wanted to keep. But all the coal companies had this contract and there was a big fight between the eastern ones and the western ones, but it was a huge public policy issue and it went on for a number of months.

The reason I brought it up as far as tying it in was the Department of Labor was involved in it a fair amount. I got involved in it, not gigantic amounts, spent a ton of time on it, but all the spring of ’92. And Dole got very involved in it. Rockefeller and Byrd got hugely involved in it because of West Virginia. The thing needed about a $300 million a year bailout, and Byrd’s response to that was, “Great, we’ll just appropriate the money.”

Rockefeller had gotten into health care because he was trying to fix this on legislation, and the health care bills were moving at the time. The Senate Finance Committee was an 11-9 vote and the Republicans were on the 9 side and didn’t have much leverage. Dave Durenberger was the other main guy, the main Republican on health care at the time. Rockefeller said, “If you don’t help me on this coal thing, I’m going to cut you out of health care forever, so you better vote for this coal miners’ health thing.” So we had the thing killed and Durenberger changed his vote and made it 10-10. The way it works it was the Democrats’ bill and the only way to beat it was to beat it 11-9. Durenberger voted with them because it made a couple of Democrats vote on this too.

Anyway, the point is, it was a political mess, so Skinner said to me, “I don’t care what you do, this bill’s going to the Senate floor, it’s getting momentum, we can’t have a coal strike. We can’t look back on this. Go cut a deal.” So I went up to Sheila Burke, who was Dole’s chief of staff, who was also the health care person. Sheila was Dole’s chief of staff forever and we’re trying to figure out a way out of this box because we didn’t have the votes to win and Byrd wanted to spend the money and the coal miners were making a lot of noise about a strike.

It was a big issue with the western coal companies and the eastern coal companies, and Skinner said, "As long as Malcolm Wallop's happy, I don't care what you do." So we came up with this reach-back tax that basically looked back to the Social Security records of every coal company. This was a multimonth process, but basically Sheila Burke and I came up with this idea, which is still around. There's still litigation. The Supreme Court had a big fight about it this year, and I still get attacked in the hall by people about it nine years later, but we put together this reach-back tax and cut a deal with Byrd and Rockefeller and pushed it through and managed to avert a coal strike.

The only reason I bring that up is there were a lot of issues like that and that case involved the Department of Labor. It involved Dole and it involved almost everybody in the Senate—Byrd, Rockefeller, Mitchell, and Dole, a lot of pretty nasty fights. Durenberger and a lot of the health care people. Rockefeller was telling all the health care guys, "If you want to be involved in health care"—which he was then running, he was the main Democrat in the Senate on health care—"you've got to play ball in fixing my coal miners' health care plan or I'm going to cut you out."

It was a very politically complex thing and it's just one of many issues that was running all through '92. It had an effect on the election because the last thing we wanted to do was have a June coal miners' strike that would have gotten a lot of press. We would have looked like the bad guys because we'd been involved sometimes not necessarily on the right side early on with Pittston for a number of years in the press messing around in coal mining politics. So if that makes sense, so that's an example that you don't always think of but it kind of wound through administration policy, campaign policy, a lot of work on the Hill and other things.

There was just a lot of that kind of stuff that went on every day. There were probably many, many little projects and deals that went on, but all this stuff—it wasn't like you were always doing just White House policy and thinking about it or always just dealing with the agency or just dealing with the Hill. They usually were all interactive. Does that make sense?

Strong: Have you read the Stephanopoulos book?

Scully: No and I like George and I've been meaning to. I just haven't had time.

Strong: I bring it up because I wanted to ask a question about the Bush administration.

Scully: He doesn't talk about Bush, I'll bet, does he?

Strong: No. At the point he's leaving and Clinton is trying to persuade him to stay, Clinton tells him, "We really need you. No one does what you do around here." It's a very odd thing—

Scully: He didn't say that to Monica [Lewinsky], did he? Sorry.

Strong: But it turns out is that Stephanopoulos, after not doing very well as Press Secretary, has this sort of odd portfolio, hardly any operational responsibilities for any policy, but he's the person who knows what's happening in the policy world and is connected to the White House

and the Cabinet people who are doing that. He knows the Hill. He is talking more to media people than others and some of the times effectively, sometimes talking to Woodward and getting in trouble, but he's making those connections and he's thinking about the next campaign. He's the one person in the White House who, in a sense, has got a finger in all of those things.

Scully: He should have been on the campaign payroll. George is a good guy. George is good at that.

Strong: Does the President need someone like that?

Scully: Absolutely. Two or three of them.

Strong: Who's the closest in the Bush administration?

Scully: I don't think there was anybody.

Strong: Baker at the end?

Scully: Yes, Baker at the end. I don't Darman and Sununu thought they were that.

Strong: But were they?

Scully: They really weren't, I don't think.

Shreve: What were their shortcomings in that regard?

Scully: Sununu was a Governor who thought of himself as—I mean, I think Sununu, and there was actually discussion at one point, the peak of this thing, about him being a Presidential candidate the next time around. He thought of himself as a great political strategist and a great political thinker, and I think he was, but generally his experience was in a much smaller context in New Hampshire, where the press was different and the politics were different and they were much more local and much less press-oriented and national-image oriented and there was just a different ball game.

Darman liked to think he was a great political thinker, too, and he was an unbelievable political strategist from inside-the-Beltway congressional perception, and I think Grady and others were big fans of his. I always thought that he was pretty limited in his scope of understanding about the impact of national press coverage and image-building and that kind of stuff, but they thought that that was their role too, and they certainly arguably had a lot more experience than Stephanopoulos did on it. Stephanopoulos is a Hill staffer, but George happened to be really good, I think, and just had a much more open-minded way of thinking about doing this. But I don't think we really had anybody like that.

Now if you went in at the beginning of the administration, George Stephanopoulos didn't have the experience to go do something like that. He's certainly not the Roger Ailes type background. He just happened to be good and he was the right guy in the right place at the right time. Even

Clinton didn't use George a whole lot. I remember when the health care plan melted down and I knew all of Clinton's health care people and I debated them all during the '92 campaign. Then I went to Patton, Boggs and 100 percent of my client work for those two years was killing the Clinton plan for all my clients.

So I went every waking hour working on health care and I followed that extremely closely and they made brutal errors. I mean, they had the two best—George knew every House member and some of the Republicans even liked him. I like George a lot, but he was very well liked among Democrats. He was Gephardt's former floor guy. He knew health care policy pretty well. He was very close to Gephardt's health care policy person and close to most of the Democratic leaders in the House, and Pat Griffin, who was the head of legislative affairs, was Byrd's former chief of staff, a terrific guy. All the Republicans liked him. Pat knew the Senate better than anybody and was really good. You never saw either one of those guys involved in health care debate. They had Ira Magaziner doing health care.

Shreve: Any idea why?

Scully: And Ira Magaziner going to the Hill. I couldn't believe it. If they had said, "Here's the health plan. George and Pat are going to get this thing passed," it would have passed. And neither one of them ever got involved at all, so when you think about it—

Shreve: Any idea what led to that?

Scully: You know, Clinton was new at it all. All these people were looking for their ways and places to go, and Ira was the health care guy and he was the most arrogant, out-of-touch guy you've ever met in your life. He knew nothing about the Hill and he irritated everybody.

Shreve: Was it an attempt to—

Scully: We're getting off track a bit. I'm just saying—you never know. People have to find their own niches. You had just asked about George.

Strong: But I was really asking about the parallels.

Young: In the Bush administration.

Scully: I don't know if we had anybody like that, and I'm not sure that Clinton consciously had anybody like that. Bush had a lot of people he was personally close to. Dave Demarest is a great communications guy. Dave's great at putting on press conferences and setting up events and talking to the press and carrying them out, but I don't think that Dave is a global strategist, and he's kind of a quiet guy. He's not the kind of guy who's going to put himself on *Good Morning America* three days a week and get on *Larry King Live*. He was good at arranging the events, not being the event. You know, it's good to try to create the impression of a young, dynamic Presidency, and it's a good idea to have two or three young, dynamic people running around saying. "We've got a young dynamic President," which we didn't have, I don't think.

Shreve: Would this be a good point to summarize the health care plan that you had put together and were going to propose?

Scully: It's proposed in 96 pages. I may have the only copies left, if you want them. It's a 96-page, very detailed outline, completely changes the way health care was going to be regulated. Basically set up health insurance networks, which Clinton called HIPAA [Health Insurance Portability and Accountability Act] later, but it basically would have gradually, voluntarily, forced people into large purchasing pools. It would have eliminated ERISA [Employment Retirement Income Security Act] coverage, which basically is what segments and screws up the insurance system. It would have come up with a kind of modified community rating for everybody in the country and basically would have phased out Medicaid, at least for acute care health care and would have given every person in the country under 100 percent of poverty essentially a voucher.

Shreve: A 100 percent subsidy?

Scully: One hundred percent subsidy and it scaled out. There were a whole series of tax credits and tax deductions that between 100 percent of poverty and 150 percent, it got scaled down, and further up in the income stream you got deductions up to 250 percent of poverty for different subsidies and incentives to buy insurance. But at the time, of course, all the Democrats wanted to go to universal coverage and Medicare for everybody and have the government run an insurance plan. We had 37 million uninsured people then, and by our estimates we would have covered about 30 million for those people, so we would have covered the bulk of the uninsured.

It was probably $80 to $90 billion a year in new spending and massive new rationalization of the health insurance system. You've got like two countries in health care. Over 65, you've got the government, the rate-regulated price-setting Medicare system that provides a universal package for a standardized price to everybody and the same benefit regardless of cost. It's like an East German health care package. It's government insurance and universal coverage. Under 65, you've got a mishmash of state and federal laws and a completely wild west crazy risk selection. You can't have people thinking of it that way because they were using the same hospitals, but from an insurance mechanism, the treatment of people of between 64 and 65 is shocking how different the insurance systems are.

Arguably the over-65 system is massively overregulated and over-government intrusive, and the under-65 is massively under-regulated and nowhere near structured enough by the government. People don't think of it that way, but I think what our plan was trying to do was basically gradually rationalize and take Medicare and turn it into a private sector health plan slowly and at the same time, significantly enhance the regulation of oversight and market pooling of the under-65 plan and put in enormous new federal subsidies for poor people to buy it.

Shreve: Would that have included pharmaceutical coverage as well?

Scully: Once you get into defining benefits and telling what you're going to cover, there was a basic benefits package that we put in. There were four basic benefits packages that were put out as models for the states, but basically our idea was you had to cover as least the basics. You had

to have hospitalization coverage and $500 deductible for physician coverage. There was no requirement of drug benefits, but the idea was that if you put up the amount of money—I think the basic subsidy at that time, and inflation's changed it—was $1,400 for an individual, and it might have been $3,200 for a family. I can't remember the numbers but there was a base package that every state had to certify that they were going to have at least a certain number of insurance carriers and make that available in that state and that the subsidy be available through a federal transfer payment to pay for it if you were below 100 percent of poverty.

There were a bunch of different benefits packages, but let's say you were in Kentucky. You might have one that had pure HMO [Health Maintenance Organization] with very limited coverage and had a very plush drug benefits package, but you might have another one that had a not great drug benefits package but had better physician coverage. The idea was that the market would make it more flexible. You didn't want to get in the position of the government defining the benefit. You wanted to say, "Here's the minimum you have to cover, and beyond that, the money's here to give it a little more flexibility." Very similar to what's going on with Medicare right now with the defined benefit coverage in Medicare that Bill Thomas is trying to do.

Masoud: These are enormously complex policies. I mean, health care policy, it's all over my head anyway, but you're here at OMB and you're responsible for shaping this policy. Obviously you have a big staff. This staff is mainly career people?

Scully: All career people.

Masoud: Was there ever any sort of tension between the political appointees like yourself and the career people that maybe we don't want to get such and such career people on board because they're not going to be sympathetic with our cause? Do you pick and choose the career people you work with? How did that work?

Scully: No. When I got there, sadly, a lot of the career people at OMB had left. There were probably 55 doing health care and most of them had been there for years. Now, last time I checked there were two left, which is sad.

Masoud: There're only two career people doing health care now?

Scully: Of 55.

Young: Of the original 55?

Scully: I may be critical because the woman who took my place who's now the HCFA administrator, Nancy-Ann DeParle, is a good friend of mine, but for whatever reason, the people at OMB—as much as they may have not been happy with Darman, and probably hated me when I was there—now I look much better by comparison. Darman for whatever reason had understood OMB, understood these people were not political, that they were very loyal to the institution, and I never thought of them as political. I never looked around and said, "Who's a Democrat and who's a Republican?" A lot of them have since left and work on the Hill.

On the budget summit in 1990 I had three guys out in a hotel room at Andrews Air Force Base cranking out stuff for me the whole time, and as it turned out, two of these guys are now very liberal Democratic staffers on the Hill. At the time, they were totally loyal to what they were doing for OMB and I never had any question about them in any way. They were great guys and very good staffers, and never let on what their own personal and political views were. That's the way the institution worked. It was totally disgraceful for you to do anything but that, so there was never any question about that.

For whatever reason, because you had 12 years of Republican administrations, when the Clinton administration came in, the OMB career civil servants, who had a great pride in what they did, felt like the Clinton people felt they were all Reagan/Bush plants, even though they were not at all. They were generally treated as if they were cut out. A lot of them got very frustrated. A lot of my staff got very frustrated and left because they weren't being used the same way.

I had three career civil servants at Andrews Air Force Base at the budget summit and there were other guys from OMB out there too, just for me, doing the Medicare numbers and running the numbers on PCs, on laptops. They weren't used that way and a lot of them got very frustrated at being looked at as being suspect political plants, and a lot of them left.

Masoud: There was no frustration also working under Darman, though? You mentioned that Darman was this incredibly tough guy and would beat people up.

Scully: Yes, but there's a tradeoff. I think if you asked people now—and Panetta was pretty well liked—but there was just this whole suspicion of OMB as, "We're stuck with these guys. They're all holdovers from the Reagan/Bush era," which they weren't. These OMB guys, at least when I was there, were the absolute, as far as I was concerned, the most honorable, decent nonpartisan civil servants you're going to run across, and a lot of them were very frustrated because they liked Darman. You could sit in a meeting with Darman and be screaming and yelling and be beaten up on, but you were engaged and you were involved, and as a bureaucrat you had power. A lot of these guys were in meetings with the President periodically, which was unusual for a civil servant, and they were in the middle of budget negotiations, very much part of the process and being used. So they looked at Darman as being maybe a pain in the butt, but a very effective, very powerful one.

Young: He was very knowledgeable about the issues and so forth, so he wasn't as though he's a political hack.

Scully: He used the institution and he trusted them and he got these guys involved. If you look at the guys, the two guys who probably had more to do with writing the 1990 budget deal than anybody were Bob Damus, who's still there as the general counsel to OMB under Clinton, and Barry Anderson, who's the deputy director of CBO [Congressional Budget Office] now, who left OMB in some frustration. But I had no idea whether these two guys were Democrats or Republicans. They're budget wonks. But if you asked Leon Panetta or George Mitchell who they thought OMB was in those days, they would say those two guys, because they were the ones who did all the drafting, they understood all the policy, and I have no idea what their political affiliation is. I don't think they have one. They're kind of neutral.

Shreve: I got the impression from your comments yesterday regarding Darman that he understood from the get-go that these people were valuable assets to the office.

Scully: Well, Darman was very close to [David] Stockman. Darman was Reagan's Cabinet Secretary and the paper flow guy in the Reagan era. I think Darman will tell you that he saw how effective OMB was when Stockman used it the right way because you've got a vast pot of knowledge about how the government works and how to pull the chains in the agencies and make them do what you want.

You know, the White House staff is generally very small, not heavily substantive, and not always very experienced in how to deal with the departments. On the other hand, you've got 500 people across the street who work for you whose whole career is figuring out how to pull the chains in the departments and make them do the right policies and jump when the White House wants them to. The whole concept of OMB theoretically should be for the President to control his eight zillion bureaucrats he has around town at the other agencies. The White House staff generally—they do the travel schedule. They do the press stuff. There's a support staff—

Shreve: Not up to the task.

Scully: Well, it's just not big enough and it's not set up. If you look at the White House staff, and you say who is there—Ede Holiday is a great person who ran the Office of Cabinet Affairs, and she may have one 25-, 30-year-old staffer who is assigned to each of three Secretaries. They dealt with the Secretaries' offices to make sure they kept them happy, but they certainly didn't have the capability, either policywise or timewise, to keep up with what each department was doing and make sure they reined in what they were doing on a regulatory or political basis. What OMB's set up to do is—if you look at the Department of Labor, I had seven people who did nothing but track everything the Department of Labor did, from writing their budget to making sure they cleared all the regulations and everything else.

I had 50 at HHS, probably 10 or 15 at Education. The one guy I mentioned yesterday in Education, Lamar Alexander, actually borrowed people for a while. OMB had been doing this for 20 years and they knew these departments inside and out. If OMB is used right, OMB should be the way the White House controls its departments.

Young: There's a well known history of OMB where the neutral competence is respected and then somehow it gets politicized and you have this kind of thing that you saw in the Clinton administration—people leave, it's not used, it doesn't have the institutional memory, and so this has been going on ever since—

Scully: In waves, probably.

Young: In waves, ever since FDR [Franklin Delano Roosevelt] was the first one to bring the budget office out of the Treasury and make it his own agency. And it was for years. And then when the White House staff built up—

Scully: The physical setup, my office and Darman—there were the six political appointees on our teeny staffs, which had a couple of people in the old Executive Office Building, and my office was right next to Quayle's. We were a part of the White House staff on the 2nd floor, and we were in and out of the White House all the time and had West Wing privileges and mess privileges and all of that, but all my career staff were across the street in the new building. Everything they just did flowed through us, so it's a whole strange dividing line between—

Young: That was bitterly fought.

Scully: Nonpolitical people don't want to be a part of the White House staff. The OMB career civil servants are like a separate agency across the street, like Treasury.

Young: They used to all be in the EOB, the old Executive Office Building. That was the budget's building and the career staff and the appointed staff was there and it was quite a fight. The career staff was Siberianized, as they thought of it then, put over in the new EOB, but it's a long way.

Scully: It's a long way across that street.

Young: So it was used as a symbol of or thought of as a symbol of how the White House political people were moving in to take charge and the career people who had the competence and experience were being put in the outer ring.

Scully: If you went and talked to people at OMB you'd see that the guys across the street—my senior health care guy was probably in one meeting a month with the President. There certainly were lots of meetings, and you'd get dragged into things with Sununu, so that makes them feel engaged when they're staying there until 3: 00 in the morning going over documents, that they're not just being thrown in the trash can.

When the Clinton people came in, they thought of these guys as great paper writers, but we can't trust them because they're Reagan/Bush people ,which is not at all fair or accurate, but they didn't use them. I think that changed a little over the years, but it's normal. If George W. gets elected, you'll probably hear, "Oh, my God, we've had eight years of these people working for Clinton, they're brainwashed." I hope somebody's good enough to tell him that's not the way it works.

Strong: George Bush also liked people who worked for the government and generally respected them, and he campaigned against bureaucrats. He didn't use some of the political rhetoric.

Scully: No, and I think most of the people who worked for him, like me—when I went out to the CIA dedication for him a couple of months ago, there was glowing affection for him at the CIA still many years later.

Strong: Can I start the agenda on legacy and longer-range?

Young: I'm looking at the third session, so go ahead. Start some questions. You've answered a

lot of these.

Strong: Lincoln's Secretary of State buys Alaska. It's a joke.

Scully: Not in the long run.

Strong: We now look back on [William] Seward's folly and see that the people who called him a folly were really—

Scully: The foolish ones.

Strong: The foolish ones. You've said some things already that the 1990 budget agreement has been undervalued certainly in the public arena, maybe in the academic world, too. Are there more of those that you should highlight for us that you think in the long run people are going to look back at and see as more significant domestic accomplishments for the Bush administration than they've thus far been acknowledged?

Scully: No, I hate to say it because it's frustrating. I don't think you can look to that many domestic accomplishments. When you look at Lyndon Johnson or Richard Nixon, there are a lot of other things. Most domestic accomplishments are things the President passed in Congress, and we didn't get all that many things passed because it was impossible. So when you look at it and say the Great Society from Johnson or some of the things that Nixon did in domestic policy that were arguably surprisingly liberal.

It's hard to get stuff through, so I'd say I think Bush's biggest domestic policy legacy is if you look back at all the things the Republican Congress passed in '94, almost every one of those—I mean, nothing was working on the Hill. The Hill has a very limited staff. They don't come up with a whole lot of new ideas. One of the reasons it's tough to be on the Hill was the White House has all these ideas pouring in from agencies and concepts coming and people sitting around agencies.

The Hill is basically this little group of people with small staffs, and it's much easier on the Hill when you've got the administration behind you to cook up ideas. If you look at what happened in the Contract with America and all those concepts that came through in '94, every single one of those things was something that was a Bush initiative. They just compiled all that stuff that had been sitting around for years, and now all of sudden they have the power to pass it. A lot of the initiatives were passed in that. Some of them didn't pass, including one specific one that Bush pushed a lot—school choice. Now, we didn't pass school choice, but I think we pushed a lot more personal empowerment as far as refundable tax credits in the EITC, children's tax credits, childcare tax credits, childcare vouchers, and the community development block grant, and the rhetoric.

We never were successful in doing private education vouchers, but clearly the whole time I spent on childcare was on the argument that, hey, look, if you're in 12th grade and beyond, you get Pell grants and you show up at either Notre Dame or the University of Indiana—nobody cares which—with your federal grant to buy education whether it's private or public. If you're age two

to six, you show up at a childcare center with a childcare development block grant. It could be a Catholic one or a Jewish one or a Protestant one or a public one, and you get a public subsidy to pay for that. The only place that still is publicly subsidized is K-12 education, and it's the most screwed up.

Our public education system is grades 1 through 12, where the teachers' union is dominant. We looked at increasing Pell grants, increasing voucher-based public education grants that were local and higher education, and putting in child grants as inevitably getting to the point where you're going to basically take on the teachers' unions to take on public education from grades 1 to 12. I think Bush pushed that hard and the childcare package passed in 1990. I haven't seen any bitching and moaning, and there was a lot at the time from teachers' unions and Democrats about voucherizing childcare. We have voucherized childcare in this country, and everybody seems to be fine with it.

So, I think that's a legacy that at some point will happen when you get a Republican President. If you get a Republican President and you keep a Republican Congress next time, you'll have a huge national fight over privatizing public education from grades 1 through 12. I think most of the seeds of that will have come from the Bush administration, so I think that's one thing you can look back and see. George W. announced a little bit of that yesterday. I don't know if you saw the paper this morning, but as soon as you get a Republican Congressman or a Republican President, you're going to have a giant fight on privatizing education from grade 1 through 12, so I think that's one thing that people want to focus on a little more.

But a lot of the other stuff, as far as tax cuts and economic policy for reducing taxes and spurring growth, downsizing the government and reshaping some of the government programs in education and job training and a lot of stuff that actually happened in '94 when they passed it—almost all of that was in Bush policies back in four straights budgets and States of the Union.

I'm trying to think of other—we had a lot of programs that have disappeared that we proposed eliminating for years, and others have been created and enhanced, and almost all of them were coming out of Bush budgets. If you look through the Contract with America stuff, some of which I didn't support, something came out of the Bush administration. The same people who were up running it, the staff working on the Hill now, were people who had been working in the agencies. When we lost, they moved up to the Hill. So they pulled out all of their old files like I have and said, "Hey, let's put all this together."

Young: So you don't look necessarily in the Bush years for the final chapter of some things that were started there, and that's not unusual.

Scully: The job training programs were all streamlined and passed in '94, but a lot of the Department of Labor's job training programs were eliminated and consolidated, and that had been in the works for six, seven, eight years. You can look back to Dan Quayle starting that back before he was even Vice President. There were a lot of changes made in the education programs and the way they were done in '94, the way they were structured and the way Chapter I and elementary and secondary education works. I don't like it, but the direct student loans idea came uncertified out of the Bush White House. It was an incredibly stupid idea, but that was where it

started. It started with Charlie Kolb.

You look through the departments. We restructured a lot of stuff and almost all the welfare reforms stuff that Clay Shaw did. Look at AFDC and the welfare reforms—all that stuff was stuff we proposed. Clay Shaw's a great guy, but when they passed the welfare reform bill in '96, the guy who wrote that was Ron Haskins, who's Clay Shaw's staffer. He was the guy I worked with every day for four years, and he'd had that whole Republican welfare package for changing welfare. Clinton can say he wrote the welfare reform package, but Ron Haskins wrote that package in 1989 and it's been sitting around waiting for a Republican Congress. I'll bet you that what we had in '89 was the same thing that passed in '90—I remember we passed it in '95 with five word changes.

Strong: And it was less radical than the one Nixon had been proposing in his first term.

Scully: Yes.

Young: The FAP [Federal Assistance Plan], of course.

Scully: The Federal Assistance Plan was Moynihan's idea.

Strong: And even plans that don't get passed by Congress have a life after.

Scully: See, my point is people will say, "Well, George Bush didn't do any domestic policy." It was very difficult to actually pass things, but that doesn't mean that we didn't have lots of ideas floating around. Occasionally we got frustrated because we couldn't get stuff through, but I can't think of any single program in the federal government we didn't propose to reform, but some of them just don't happen until you have the votes.

Young: And some don't happen until after your time has passed. The problem here is so much of the evaluation of a President's accomplishments look at what started but didn't get finished until later.

Scully: I'm just going through my area. If you talk to Bob Grady or other people, there were significant changes in the environmental stuff and the Clean Air Act. There were a lot of environmental issues that went through. A lot of energy issues that went through. [James] Watkins was very involved in a ton of—there was a lot of the math science education stuff that I didn't get as involved in because that was done through the Department of Energy or it went through the Department of Education. There was huge change in a lot of the Justice drug enforcement programs and a lot of new, enormous enhancement of criminal penalties and building of new prisons and just gigantic change in the structure of the Justice Department, so there were a lot of other changes that were made.

Young: I'd like to switch and get you to reflect on the relations between this administration and the press or the media. Practically every President who goes out of office has a big beef with their coverage or what some others referred to as the irresponsibility of the press. Bush is like Carter and many others—In fact, Bush called himself a press basher, though he said he is no

longer. And a question that always comes up when you're studying a Presidency in retrospect is how to judge the negative and the inaccurate pictures, perhaps, that you get of an administration.

Scully: I don't think Bush was a press basher. I think his relations with the press were pretty good. I think he suffered from—I think Marlin Fitzwater's about as good a Press Secretary as you're going to get. He was terrific. Alixe Glenn, who was his deputy, was good. They were all good, but the press is an independent animal and not all of the guys sitting in the White House press room deal with Marlin.

There were a million different press people floating around. There were press people that I talked to every day all across the country who never talked to Marlin about the health care issue. Ceci Connally, who's now the chief political reporter at the *Washington Post*, was the health reporter for the *St. Petersburg Times*. The lead political reporter for the *Post* today was the health reporter for the *St. Petersburg Times* in the Bush administration. I used to talk to her three times a week. There are just a lot of other press people floating around.

I think that President Bush was loved by the press initially because he was so much more accessible than Reagan for the first probably year. He was candid and around all the time, and he probably to some degree made a mistake in being almost overly accessible and too nice. I got the feeling they almost got bored with him, but they all liked him. Thought he was a great guy. They were all excited through the whole Persian Gulf War, but when they looked at him at the end, they got bored because he was almost too accessible and too easy, too kind, a nice a guy, and he wasn't a good story. That was my feeling toward of the end, and I spent a lot of time on the press plane traveling around, especially the last six months probably one day a week.

The other thing you can't address, and this is going to sound really bad, It's like me. I said before that I was able to get a very senior position in health care pretty quickly because the health care field is vacant of Republicans. Most people who are conservative don't get out of college and grad school and decide they want to go work in welfare policy or Social Security or health care, so there aren't any. There's millions of Democrats. I have a ton of friends in the press and I'm very friendly with the press, but the fact is there aren't a whole hell lot a lot of conservative people that become reporters, and reporters—it's just a fact of life—tend to be in the 10 percent conservative. Most of them are part of society and you can hang around and deal with them. And as a Republican, you've got to just deal with that fact.

They may be nice people and they may love you, but I can tell you that being on the Bush press plane during the fall of '92, it was blatant that the reporters on the Bush press plane were cheering for Clinton and they all liked Bush. It didn't have anything to do with it. They were all generally young, fairly liberal Democrats who thought this was a great. We've got another young liberal Democrat coming up and they were all jealous of the guy.

Young: You think if there was a bias?

Scully: There was at the end. If you go out and find who the young reporters are for the—look, Michael Duffy, who's an old friend of mine and is one of Bob Grady's best friends, who writes for *Time* magazine, he's a great guy and I still talk to him and he's extremely nice, but Michael is

not among the 5 percent of most—Among the spectrum of 40-year-old guys I've known for 15 years, he's certainly on the more liberal end personally. That's just the way he is. That's what his friends are. That's his background, and if you went out in the press and asked who are the more conservative major reporters in Washington, Michael would be perceived as one of the more conservative. It's just a fact of life, so as a politician you've got to realize that's what you're dealing with. People get angry about it, but it's just the makeup of the people who go to journalism school, the people who are writing for major magazines. They may be wonderful people—I may like them all but—

I'm 41 years old. If you took my ten friends from college who went on to become reporters and ten friends from college that went to Wall Street and put them in a room, the most conservative guys are the ones on Wall Street and the most liberal ones are reporters. That's just a fact of life, so as a Republican it's something you've got to deal with. The press always says, "That's garbage, we're not liberal." It's a joke. There's no question that the people that tend to become reporters tend to be slightly more liberal, and as a politician you've got to deal with it.

Shreve: Was there any sense that was offset or could be offset in some measure by a more conservative media ownership who oversaw these reporters?

Scully: No. That's too Machiavellian. You can't get into that. I'll give you two examples. Andy Rosenthal, whose father was the main editor of the *New York Times*. He was then pretty young. I think he's now the senior editor of the *New York Times*. He's a really nice guy. He was on the press plane with me all the time. Andy was probably 34 or 35 years old at that point and he was the *New York Times* guy on the Bush press plane. Now, do you really think an Andy Rosenthal's going to be an objective reporter of George Bush versus Bill Clinton? He's a nice guy. He's smart as hell, but he's incredibly liberal and he loved George Bush personally. Does that mean that he wanted George Bush to win the election? These are people are human beings.

I told you I went to college with Katie Couric. Katie Couric is one of the nicest people you'd ever meet in your life. She's great. Her father was a reporter for a labor union. Katie's wonderful, but she's been very liberal her entire life. Now, you're going to tell me that when she gets on the *Today Show* and talks to Bill Clinton and glows with big eyes and says he's wonderful and then gets on with George Bush and rips him to shreds that that's total objectivity? And I happen to love her. She's great, but she was one of my more liberal friends in college. It's just a fact of life.

As a politician, if you go into that and you don't understand that, I don't think it's good or bad. I'm just saying you can't affect it. You've just got to understand that if you're a conservative, you've got to bend over backward to work a little bit harder because you're going to be at a disadvantage. So I don't think that President Bush had a better or worse or rougher time. I think most of the press liked him and he had great personal relations with them. It's just that most of the press tended to think that he was another—

I remember Brit Hume, who was the only conservative I ever knew in the press, but he was a good guy. He was very objective but he was with ABC News then, and he used to travel around a lot. When you sat around and drink a beer with him, he was the only guy who was moderately

conservative, and he knew it, although it probably never showed up in his newscasts. These guys are human beings too. But I think most of the press liked Bush a lot. There was a perception among reporters that, "Hey, we've had 12 years of Reagan and Bush and he's a nice, wonderful guy but it's time for a change and we've got this young, kind of dynamic Bill Clinton Kennedy-esque kind of guy coming through and isn't this fun." It was very tangible.

Young: You have had a number of cases, though, in history where the press has turned against a Democrat President too. Now, that may be when Lyndon Johnson absolutely lost it.

Scully: Yes, but most of the mainstream moderately liberal establishment people back then were furious with him about the Vietnam War. It's a fact of life. The fact is that Republicans benefit from generally having most of the business establishment behind them most of the time and Democrats generally benefit from unions. And generally probably 20 percent of the press is neutral, 10 percent of them may be closet Republicans, but 70 percent are closet Democrats. If you go into it as a President, I don't think it's good or bad, I just think anybody who doesn't acknowledge that that's a fact of life you've got to deal with is dreaming.

Young: I'm not arguing with it. It's just that I've heard many reflections by people who've been in the press and how they look at that. Whether they felt they were dealt with fairly or not.

Scully: Oh, I think we were dealt with fairly. I think most reporters liked Bush and we were dealt with fairly. I mean, the most common reporter around the White House, you can't talk to him now because he unfortunately he passed away, but the probably most aggressive White House reporter in the Bush administration was Ann Devroy with the *Post*. She was around all the time and she was nice and she was fair and I could tell from talking to her she was probably a pretty liberal Democrat, but she was great. She loved Bush. She had great access to the Bush White House and most of her stories were very fair. She was very good friends with a lot of people in the White House.

Masoud: About access—was there a tendency to give access to the people like Brit Hume, people who would be friendlier to us, let's give them a bit more access, or was it mainly we want to talk to the *New York Times* and get a big audience? What governed access?

Scully: I talked to any reporter who called and wasn't a jerk and didn't shaft you, and occasionally I had a reporter who really—I remember at one point somebody at *Time* magazine really went after Darman and I didn't talk to them for a while, and Sununu had reporters that he didn't like. There were some reporters that I didn't necessarily like.

Robert Pear, if you read the *New York Times* every Sunday and Monday he's on the front page about health care. Robert is a strange little guy, but he's smart and he manipulates a lot of your quotes and stuff. I still talk to him all the time but his editors, for whatever reason, like him and he's on the front page of the *New York Times* every Sunday and Monday and he probably gets more print on the front page of the *New York Times* than any reporter in the paper, so you don't have any choice but to talk to him. He's not dishonest or anything. You've just got to be a little careful; he has no political agenda. He invents a lot of meaningless stories, but he's not a Republican or Democrat.

He's a very good reporter and if you call the *New York Times* on Sunday at 7:00, he's the only guy there. He works nonstop, but he's a little skinny guy who talks like this [*whispers*] and he's smart. I'll just give you an example of how smart reporters are. My secretary left every night at 7:00 and Robert would call five nights a week at 7:02 because he knew I'd pick up the phone myself because otherwise I wouldn't talk to him. [*whispering*]—Hello, this is Robert. [*laughter*]

Young: That would scare me to death.

Scully: That's how he talks.

Masoud: Even if you got used to it.

Scully: [*whispering*]—This is Robert. But he was a good reporter. I would talk to any reporter who was not patently unfair. There were some people like Alan Murray, with whom Darman had a good relationship, or Dave Wessel, who was at the *Wall Street Journal,* to whom he might give a little more inside scoop. And there are always people who treat you a little better—Hilary Stout, who's no longer there at the *Journal*, but Hilary Stout was the health reporter there for the *Journal* and she was fair to us and great to us. So if I had a little health care thing to leak, I'd generally call her and give her a little heads up because it would drive them—the *Wall Street Journal* isn't published on Saturdays and Sundays and the *New York Times* is, and it would drive them crazy. I'd get calls from Hilary Stout at home on a Sunday—"What is this story Robert put in the *Times*?" She was good to us and she was fair and she was a good reporter, so every once in a while if I knew there was something coming out I'd give it to her on Thursday night if we weren't going to announce it until Monday, just to make sure she could get the first story on Friday. There are always little games that go on the press like that.

Young: But the reporters you talked to, you felt that you got a fair shake from them?

Scully: Yes.

Young: In those stories, even though they—

Scully: The reporters I dealt with were generally very substantive. I mean, the guys who have an impact on a perception area—Eric Pianin, for instance, who now writes a lot of the *Washington Post* front-page stories on politics, doesn't write about substance. He writes about a perception of Clinton, the Hill, and what's going on in Congress. His wife is Laurie McGinley who writes health care for the *Wall Street Journal*. I talk to her every day probably, every other day. She writes substance and he writes politics. He hasn't done a substantive piece in any of his articles. They're all perceptions about how things are going. Those guys have a much bigger impact on perception of the President than the people who're writing about health care policy or labor policy.

Young: I think it's at that level when you hear the complaints from the Presidents themselves. They cite incidents of perception.

Scully: And it's because, again, of things you can pick up—

Young: It's the editorializing.

Scully: It's not unfair. The *New York Times* is an extremely liberal newspaper in its editorials. Their health care editorial guy happens to be a terrific guy—Michael Weinstein. I had a great relationship with the *New York Times* because the guy who wrote their health care editorials was a very smart, interesting guy. He was very interested in the substance and he spent an enormous amount of time talking about our health care plan.

Believe it or not, if you go back and look at the *New York Times*, they wrote a very long editorial about health care in October, a month before the election after this whole thing about Clinton getting all this stuff. I spent a lot of time working with this guy and there were long editorials saying Clinton's health care plan is a non-health care plan, there's nothing to it, and Bush's is actually surprisingly good. And Bush's health care plan is much better and he's not getting credit for it. Now, that was shocking for the *New York Times* who had endorsed Clinton, to come out with a long editorial, but this guy was substantive. So every paper's different. But generally, when you read the *New York Times*, whether it was in the editorials or in the spin that Andy Rosenthal was always writing the paper, it was very anti-Bush and very pro-Clinton.

The *Washington Post* was largely the same way although a little more subtle. The *Washington Times* was ridiculously, blatantly pro-Republican, so any idea that the press is objective is silly. The *Philadelphia Enquirer* is a very liberal newspaper. The *LA* [Los Angeles] *Times* is a very conservative newspaper. You knew when people were calling you, at least in the editorial pages—

he *Wall Street Journal*'s writing staff is very moderate and very responsible, and their editorial staff, which is like a different planet, is a bunch of right-wing nuts, so I don't even bother to read the *Wall Street Journal* editorials because they're written by a bunch of Martians. I don't know if you read the *Wall Street Journal*. It's very frustrating. Every newspaper has its own characteristic, but the idea that the press is objective and they don't have an agenda is silly.

Young: No, no. I don't think anybody thinks that objectivity is the name of the game. My question was about fairness.

Scully: Yes. I thought they were fair, and I think part of that was people like Marlin. Marlin's a great guy. Press people really like Marlin, and that helped, and they really liked President Bush. I just think that he didn't give them enough to chew on at certain times, and Clinton came along as the new hot item and a lot of the press liked him and that probably hurt. But Mike McCurry had a huge—if you look in Clinton's administration, I would say if it wasn't for Mike McCurry and Panetta he would have been dead. And part of that is McCurry was a great Press Secretary and the press liked him and they gave Clinton a lot of the benefit of the doubt at key times because McCurry backed them off.

But I think we were treated pretty fairly in the press. I don't think we were treated very fairly in the campaign at the end. There was a lot of press cheerleading going on. There was a lot of stuff

that came out about Clinton later on that was clearly out there all during 1992 that the press didn't want to hear about. I don't mean to be mean here, but everybody that I know of in the press corps knew that President Clinton was having an affair with a reporter the entire spring of 1992 and that never got out there and nobody ever looked into it.

Masoud: Which reporter?

Scully: A reporter at UPI [United Press International] who was on his press plane, and I'm sure some day that'll come out, but who cares? The point is, everybody ignored all the Gennifer Flowers stuff. In hindsight, it's a joke. That seems minor. Of course, he did it. That was a huge political campaign issue but the press totally ignored it and they ignored a lot of—they made a big deal out of his health care plan. Well, his health care plan, which I can show you (I have it in my car) is a two-page outline released on October 23rd, a two-page outline that was a joke, and for a credible journalist to go out and say he's going to revolutionize health care, he has a great plan. I think Bush was frustrated not by the fact that people were unfair to him but that this whole press cheerleading thing was going on for Clinton. It was damaging and I don't think there's any question about that. I mean, I watched it.

Strong: Is the bias that's most serious the ideological one or the one toward newsworthiness? You could also say the press was cheerleader for Perot, or the media was, and he gets nominated by Larry King and later on invents the party to go with it.

Scully: Yes. Part of the problem was Perot went on *Larry King*. He called up and wanted to go on. He went on the *Today Show*. Clinton did the same thing and as I said, maybe it's the fact that we should have done it, had Roger Ailes thought about it earlier. I'll bet if you go back and look, the first time Bush ever did the *Today Show*, *Good Morning America*, or anything like that was probably in July after everybody sat in the White House for six months and said, "This is unpresidential. We shouldn't be doing this. This is disgraceful. We can't believe these guys are doing it."

A zillion dollars of free air time later, he said, "Oh, well maybe we should—Maybe it's OK." You could argue that was smart of Perot and Clinton and we should be doing the same thing and we didn't until it was too late. We did very little of that free TV stuff until late. I don't know when, but you can look back and looked at the *Today Show* or *Good Morning America* or *Larry King Live* from January of '92 all through July, I'll bet you'd find Perot and Clinton were all over it and Bush was nowhere to be seen until July and it was only after we realized nobody else thinks it's unpresidential but us. Who cares? We better call them up and book 'em. Nobody ever did that. That was very unpresidential. In the history of Presidential campaigns I don't think you ever saw candidates going out and mass-merchandising themselves on talk shows before, and that was a big change in the way things operated.

Young: I don't suppose this was any longer part of the perceptions of the press toward the White House or vice versa by your time, but certainly in Nixon's time, the feeling of the White House press people and others—Helen Thomas and others—was that they'd been deceived. They had been misled. They had been deceived and used by the White House and a question of their professional integrity. There was a great turning against, a suspicion of sort of anything White

House people did, and that was not necessarily—it might have been liberal or conservative, but I talked to a lot of these people about that incident. It was quite clear that they turned against almost anybody in the White House and would suspect them. I think that we were over that by your time, weren't we?

Scully: Yes. I think most people liked Bush. They trusted Marlin. They trusted his staff. They had good relationships with them. It's just subtle things. This is going to sound mean. Mara Liasson—I don't know if any of you listen to NPR. Mara Liasson was the NPR person back then and I liked her and she talked to me a lot. She did a lot of stories, but if I talked to her about our job training thing, she'd do the report. I still keep up with her a fair amount. She was a lot more junior back then. If she did a report, it was factual and it was nice, but it was kind of discounting: George Bush announced a job training thing today

Young: Ho-hum.

Scully: Yes. And I hate to say this, but you can tell she's been traveling with President Clinton and she loves the guy. I listen to her all the time and her reports—President Clinton announced he was giving $2.50 to North Dakota today and you hear her reports on it. I've known her for a long time and she is a wonderful, credible journalist, but when you listen to her on NPR, and I'm an avid NPR listener, I can't believe some of the crap they put on, these glowing things which they never ever, ever would have put on for us.

We would announce a little bogus project like that and nobody cared, and they get on there and Mara is a very good reporter, but I'm just saying the subtle things. I'm sure she doesn't know it. If I took 20 of her reports on the Bush administration and played them for you and 20 from the Clinton administration and played them for you, the tone and the voice inflections and the enthusiasm and the fact that she had got some of those bogus garbage past her editors is stunning. I'm sure for her it's not even conscious. I just don't think it's something you can readily identify. It's kind of like the Supreme Court and obscenity—you know it when you see it and it's very subtle.

I'm not saying they're going to identify, but for anybody who's been on those positions, believe me, I'm as moderate a Republican as you're going to find and I'm not that violent in my conservative views about anything, but I can just tell you being around the press and having worked in politics for a long time, anybody who thinks that it's not there is kidding themselves. I don't think it's good or bad. I just think it's a fact of life. It's like trial lawyers. If you think you're going to find all the trial lawyers in your neighborhood and they're all going to be Republicans, you're smoking something. They're all going to be Democrats and most of the doctors are going to be Republicans and most reporters are—I mean, it's just a cultural fact of life. As a politician you've got to be aware of it.

Strong: Let me ask a question about moderates and again, some other White Houses, let's say [Dwight] Eisenhower or Carter, moderates in their own party. There's very often less complaint about the other side of the aisle and more about the fighting within our own party. For some people in the Carter administration there's more bitterness toward Kennedy than toward Reagan.

Scully: I have more bitterness toward Gary Bauer as a total nut because of all the time I had to waste on stupid things trying to keep these right-wing kooks off my back as opposed to dealing with—

Strong: Moderates within the Bush White House?

Scully: You want an example of that? Ed Dewinski got fired—it was just a long story. There were a lot of these things. We had this guy who was like a—Sununu had for a while there, I can't remember the guy's name—

Masoud: Doug Wead?

Scully: Doug Wead. That's exactly his name. There you go. You did your research. Doug Wead was like Phyllis Schlafly's designee in the White House to hang around and be the guy to keep an eye on all the right-wing stuff, and he was a nuisance and he got fired for something. He was just a pain in the neck. They replaced Doug with a terrific woman who worked for Phyllis Schlafly, whose name I've also forgotten, who worked for Gingrich after that. She's still around, and she was very conservative and worked for Phyllis Schlafly, but she was great, very engaged, very nice, and did a great job and was kind of the barometer of what you could do in a way, but she was a rational person and you could deal with her.

I had to deal with the abortion veto letters and deal with the abortion stuff. I had all this stuff as far as putting out the policy positions and we weren't going to change our position. We knew what our position was, but these guys were just on everything. If the sun came up in the morning it had something to do with abortion. It was just silly, and they'd get into every policy issue, and there was a level of harassment versus being reasonable. There was a lot more to it, but Doug Wead represented a Gary Bauer everything's got to be a right-wing litmus test. I can't believe I forgot her name (Lee Anne Pusey)—she's actually a good friend of mine, who came in after Doug got fired and worked for Sununu and she was just a hell of a lot easier to deal with and she was very good. There was a lot of that going on.

I mentioned the Oregon wavier yesterday. There's just a lot of these issues where there would be a little conservative crowd that would hook onto and just really pound you into submission. It would be hard to get anything done. And the FDA, for instance— I had the FDA under me and I was responsible for regulating them. David McIntosh is now a Congressman from Indiana and is running for Governor. He's a nice guy, but David decided that the Competitiveness Council was going to get into reforming FDA, so Boyden Gray and David and five or six other people had this panel and we had 50 White House meetings for a year and a half about reforming the FDA. There wasn't a snowball's chance in hell any of this stuff was ever going to happen on the Hill. It's one of these legacies.

A lot of the stuff they proposed has since happened in the FDA, and policywise it was a very good idea, but the amount of time I had to waste on it because these guys went after the FDA, mainly because the drug companies had been beating them up to go beat up the FDA. They weren't going to change anything. They didn't have the votes on the Hill to do it. And a lot of the stuff got adopted later by a Republican Congress, so I can't say it was a waste of time, but the

amount of time I had to spend on it as opposed to doing anything constructive worrying about all these guys that were—

Young: They have access to the press, too, and they create stories also. Using an analogy in the Carter administration, which you both know about, a lot of the bad press—

Scully: They had access to the *Washington Times*. I'm not sure they—

Young: Well, no, but a lot of the bad press from the Democrats, the bad stories about Carter not knowing what he was doing and so forth, these were people who opposed to him as a fiscal conservative.

Scully: There's a whole right-wing press, and if you look back at Darman, for instance, was vilified fighting all four years the *National Review*. *The National Review* did a couple of just violent attacks on Darman. Anybody else who was moderate in the White House, they'd go after and they're just a right-wing press, but I generally didn't subscribe to them, so—

Young: But the Democrats who were going to the press weren't going to right-wing press about Carter.

Scully: Yes.

Young: But they were putting out all kinds of—a lot of the anti-Carter stories were inspired by Democrats running to reporters and saying, "Have you heard the latest boo-boo they made?" And so forth and so on. So you have that within your own—

Scully: We had a lot of that. We had the whole thing I told you about—the three or four guys in the White House staff who thought of themselves as working for Jack Kemp.

Young: And they'd put the—

Scully: They'd been cut out of any real serious policy development, and they spent a lot of time running around causing trouble in the party and stoking up things like the student loan stuff. Pinkerton was more responsible, but Jim was always out there stoking some of that up. Some of that was the Kemp forces and some of it was the Buchanan, and some were just old Reagan guys who thought that the George Bush people weren't pure enough. With Gary Bauer there was a big difference. Gary Bauer is a pain the neck, and as far as I'm concerned, he has as much business running for President of the United States as a Charles Manson. He's a nut.

Ralph Reed, on the other hand, is a very responsible—you ask if the Christian right is a pain in the neck. That Reed's a really smart, reasonable, decent guy. He can come in and sit down with you and have a rational discussion. He may have strong views about something, but he's a rational guy to deal with. He's a lot more conservative than I am, but he's a reasonable, decent person and he's fair. He's not going to take cheap shots at you and you're not going to tell him something and find it in the newspaper the next day. Gary Bauer is exactly the opposite.

Young: We've come about to the end of our time.

Scully: Anybody I haven't offended yet that I should try to think about?

Young: Let's tick off a few names. [*laughter*]

Scully: Well, there are some great people. Overall, my experience there was terrific and I have nothing but affection for the Bushes in particular, but also for the people I worked with. I mean, I actually like Sununu. I learned a lot from him. I like Darman. I learned a lot from him. All the guys—Cicconi's an old friend of mine. Phil Brady, Dave Demarest, Fred McClure, Nick Calio, all those guys are—We had a great group of people who really loved Bush who worked really hard, and I think we're a very loyal, intensely hard working staff.

Masoud: One last question. We've talked about loyalty up and loyalty down, and you talked about when Baker came into the White House after Secretary of State and said this White House staff is all mediocre. Did the President's loyalty down result in the fact that there were a lot of mediocre people on the White House staff?

Scully: You know, I alluded to it earlier in a different way, which is that I think to some degree—even in the Bush administration, you've got 12 years of a lot of those people after eight years for Reagan. You had a lot of people in the Reagan administration and then you had four years of Bush, and the further you get into it you run into fatigue. I'm not sure that at 31 years old I would have been picked for that job at OMB had you not 12 years of Republican administrations. There might have been other people floating around town more qualified. I was 29 when I got the job. That might not have qualified earlier on, but they'd just gone through a lot of people coming in and out of government.

As you go through the government, when you get to the end of 12 years and you get four years you tend to look thin. Would John Podesta, who's a smart guy, had been the Chief of Staff in the first year of Clinton. Probably not, but the first string tends to peter out a little bit and go off and do other things. You know, Cicconi was there for two years and left and went back to Akin, Gump. Phil Brady was at least as good as he was, and that's probably not an example of anything being downgraded, but there were just a lot of—Bill Roper, who was a great guy, was there for a year, got frustrated over some things, and left and went back to run CDC. He was the Deputy Domestic Policy Advisor.

Just generally people get tired and they leave, and when you get far enough along in one party in control, I think you tend to get that. I'm not sure it was mediocre. I also think to some degree that a lot of people who could have developed more of their own stuff—as I said, Pinkerton, about whom I have mixed feelings, I think became known as a rabble rouser, but he was a big idea guy and he was a big idea guy in the campaign. He came up with the tank idea. He came up with a whole bunch of the Willy Horton stuff.

Pinkerton was one of these guys, he used to drive me crazy because he'd have a big idea and then he'd call me and say, "I got a great idea. Why don't you write it up and come give it back?" He wasn't going to do the detail work. "Why don't you go write up a 25-page policy thing and

then we'll come back and we'll send a note with my name on it." But you need guys like that, and sometimes you need to give them a long leash. Maybe one of the problems with the Sununu-Darman kind of power cabal was that guys like that (Pinkerton) didn't get the leash to do it. They got sat on.

You know, empowerment is a big thing now. If you went back to 1990, nobody in the country other than Jim Pinkerton ever mentioned the word empowerment. He was writing articles about it, talking about it, talking about changing all these programs and empowering people to have more control over what they're doing with federal dollars and giving control to people instead of bureaucrats, which is now a big theme for Clinton. That was a big theme that Pinkerton was pushing and we did all that stuff and we changed all those programs but we never came up with the theme for it and we never used it in a way that had a good PR strategy. Jim argued that we should have, and you know what? He was right.

Part of the reason it didn't happen as much as anything else was that Darman was the technician and Darman's attitude was *I'm doing it all, I get all credit* because Pinkerton was pretty big on coming up with ideas and then taking credit for them. Darman's attitude was, *We're doing all this stuff, God damn it, we don't need to put a label on it.* And the fact is, we did need to put a label on it and find a way to use good PR for it, but it didn't happen, and now if you look at Clinton—I think it's a big theme for him, empowerment. If you go back and look at all the articles, Pinkerton was writing articles from 1990 on about empowerment.

Now my frustration with Pinkerton, as I said with Jack Kemp, is if he said "empowerment" and you said, "Great, how are we going to do that with food stamps?" or "How are we going to do that with AFDC?" They didn't know how the damn program worked or anything about it. They were big on themes. That's not bad. You need people who are big on themes, and we tended to stomp that out.

Young: Would you do it over again?

Scully: No. I've got three little kids I've got to pay for. Would I do it over again if I was single? Yes, absolutely. I loved it and I'd do it over again in a second, but I'm not sure I ever will because I just—

Young: No. I wasn't asking about your plans. I was asking about—

Scully: Would I do it? I don't know.

Young: It was a very satisfying.

Scully: It was an incredible experience. I learned a lot. I worked in health for a long time and that was fun, but it was a terrific experience. I wish I'd done a better job and we'd had four more years but—

Strong: I want to follow that up if I can. Is it going to be harder to staff White House, those kinds of positions? Is Washington more partisan, the special prosecutors, the possibility you're

going to get subpoenaed and—

Scully: It's much more difficult.

Strong: Ethics rules?

Scully: I was the highest paid person on the White House staff, believe it or not, which pissed off Baker. I can tell another story if you want. Somebody wrote about that in a book. They didn't name me, thank God. Actually John Potter wrote a little book and told a story about—I don't know if you know John Potter. He's written some book about the White House. He's now an editor up at the *Daily News* in New York. I can get into my pay thing.

I was at Akin, Gump and I had just had my second kid. I could've gone back to Akin, Gump and made a lot more money, and I was making the maximum you could make at OMB. That was $115,000 a year or something like that, and I just told Sununu I was leaving. "I've got to go back. I've just had a second kid. I've got to buy a bigger house. I just can't, and my wife doesn't work. I've got to make more money so I'm going back to my law firm." And he said, "We've got to find something to do about this. We've got to find a way to take care of you."

So somehow Darman and Bob Damus, who was the general counsel, came up with this. They found some obscure provision in the federal budget that said if you sign a contract that you could stay for an extra year, you got a performance bonus of up to 25 percent of your pay or something like that. So they raised me to the highest level you can get on the White House staff. So Baker came in and his salary was like $142,000 and mine was $147,000, and he was pissed. What is going on here on the White House payroll? I was making more money than he was, but the pay is a problem because I could've gone out and made a lot more, which I did practicing law.

I loved what I was doing, but my wife and kids didn't know what I was doing and they couldn't care less what I did all day for the most part. I stayed for another year and a half after that because I could afford to. It wasn't a matter of trying to be greedy. There just weren't that many people that had the situation I had with a family and stuff—a lot of people who worked in the White House had either family money or something. I didn't, so part of it is the money and the other problem you're going to have is the ethics stuff.

When I went in, I had lots of clients at Akin, Gump, and when I went back to Patton, Boggs I didn't have to worry about it. There weren't any conflicts. Now, you go in the government, you can't work on anything you've touched. I'm a health care lawyer, so if I went back in the Bush administration to do health care, I get out, I couldn't do anything in my field for years. I can't remember the exact limitations anymore, but it's hugely—I know a lot of people that had opportunities to go to the Clinton administration that didn't do it because if you go in the government and you get out, you can't function anymore, and my specialty is health care.

If I went into the Bush administration to, say, be the HCFA administrator or to go back and do a White House job or do something at HHS, I'd be worthless for a decade career-wise because of all the conflicts things, which is really damaging. I think it's really shortsighted and really stupid. When you go in the government, you don't look out for your old clients and do that kind of stuff.

I remember the 1990 budget deal, for example. Bill Diefenderfer, who was the deputy, probably knew more of the tax code than anybody, and his biggest clients had been the life insurance companies. Well, nobody ever thought about screwing life insurance. It's a huge amount of money by doing changes on corporate or life insurance. Well, he hadn't even known that. They're lobbyists. The first thing he did when we were scraping for money in the '90 budget deal is he screws his old clients because there's a couple of billion dollars in it, because it was the right policy and he knew they were wrong.

So the deal that people get into the government and immediately start carrying their old client interests is just not the case. But the problem is that if you're a lawyer, which a lot of people are in Washington, or you've been doing any public policy work, you can't go into the government and do public service for a few years and then go back out into field. It's very difficult, almost impossible. So as I result I think they're going to lose out on a ton of people who would otherwise have liked—

I loved government service. To the extent that I could make enough money over the next few years to be able to go back into it—I mean, nobody does it. I remember Diefenderfer was a very successful lawyer and he left after two years. I was sitting around one day and he said, "I can't stay forever. I had a deal with my wife." He was a successful lawyer. He said, "I had like a million and a quarter dollars in the bank, and my deal with my wife is when all my savings gets down to $600,000 I'm leaving." One day he shockingly announced he was leaving. I said, "What's going on?" He said, "I told you."

Young: $600,000.

Scully: That's what he told me. "It was my deal with my wife." This is fun for him to go back in the government, but he had to educate his kids and do other things, and when he got to a certain level of financial limitations, he was gone. Nobody was going to lobby him. Nobody was going to call him into Oval Office and say, "You've got to stay." Because he was more worried about this third grade kid getting educated than he was about—and that's a problem, because the financial side of it is tough. Anyway, I got off on a tangent.

Young: You went off on a lot of useful tangents. I want to thank you for all this time and effort.

Scully: Well, I'd be happy to help anywhere I can. You asked about other people you should talk to. Do you have a list of people you should talk to?

Young: Yes. We have a list. I don't know that we have it with us. But any suggestions you have.

Scully: Well, you ought to talk to—there are different periods. Have you really tried to figure what happened with Sam Skinner? You should probably talk to Cam Findley. Probably just for the history books you should track down Eugene Croisant and talk to him. That would be an interesting view from what he thought he was supposed to be doing. Clayton Yeutter wasn't there long enough really. You probably ought to talk to the former Congressman from Louisiana—

Shreve: Henson Moore.

Scully: Henson Moore wasn't really there that long either, but he'd give you some insights on Skinner.

Shreve: On Skinner. Yes, that's what I was thinking as well. He was my neighbor in Baton Rouge.

Scully: He's a nice guy. He just has the former Congressman's disease.

Young: Doesn't want to work.

Scully: No. He works. It's just big picture work.

Young: And you mentioned somebody to me last night.

Scully: Rob Portman would be a good guy for you to talk to. John Schmitz would be a good guy for you to talk to. He was Boyden's deputy and his father was a very conservative Congressman, but Rob Portman was one of Boyden's deputies in the Legislative Counsel's office and then he switched over and became the deputy in the Congressional Affairs office and now he's a Congressman from Cincinnati and spends a lot of time with Bush and Bush loves him. Rob's a great guy. He was one of my better friends in the White House, but Rob has a perspective on the Congressional affairs and the legal side. He just had a couple of different jobs and he was there for a long time, but he was very well liked, so he might have a good perspective on the whole thing.

Nick Calio you ought to talk to. Have you talked to Calio? Nick Calio was the head of Congressional Affairs the last year and a half after Fred left. On a scale of one to 100 he was the best lobbyist there by a long shot. Rostenkowski loved him. A lot of Bush's relationship with Rostenkowski was enhanced by the fact that Calio and Rostenkowski were good friends. Bush really liked him. He was by far the most tied-in guy in the White House operations going on policywise. Darman liked him. Sununu liked him. Calio was the most effective lobbyist the whole time and I'm not meaning to denigrate Fred. Fred's as great guy but Calio was just much more effective.

Masoud: We have a list that we drew up of about 100 names. I'd love to be able to send that to you and maybe you could let us know who else we've missed on that list.

Scully: Yes. Just fax it to me and I'll go through it. Thank you.

Young: Thank you.

Scully: The really sad about thing about the experience is that I can never be a government affairs professor at W&L [Washington & Lee]. I was about to call them. [*laughter*]

Young: Maybe if you go into another Bush administration you might be out of health care but you might find a teaching job.

Scully: The other thing happens. I'm not sure this is going to be as easy as you all think. Everybody's waiting. I was watching George W. in the news this morning and he's a nice guy. People ask me the difference between him and the President. I think he learned a lot from his dad because he's a little tougher than his dad and a little more aggressive than his dad, but man, he's peaking awfully early. He's a great guy, but his delivery is not that smooth. He comes across with a little bit of an edge and anybody that thinks this thing is over is nuts.

This is not going to be Al Gore running against George Bush. It's going to be Bill Clinton. Clinton, who's a great campaigner, is going to be out there taking it on the chin and campaigning and it's going to be Clinton against Bush much more than Gore against Bush. Gore's going to look—Most people like the Clinton administration and are happy with it. They just think that he's a slob personally. It's pretty easy to say a more personally responsible person with the same policy going to be President. I think it's going to be very close. If people think Bush is going to run away with it, they're nuts.