National Defense University

National War College

Power and Personality: A Study of the Iran Arms-for-Hostages Deal

Mr. Bruce Donahue, Department of State
5603
The Interagency Process

Seminar J
Dr. Roger George

Faculty Advisor
Allen Keiswetter
**Power and Personality: A Study of the Iran Arms-for-Hostages Deal**

1. REPORT DATE
   2002

2. REPORT TYPE

3. DATES COVERED
   00-00-2002 to 00-00-2002

4. TITLE AND SUBTITLE
   Power and Personality: A Study of the Iran Arms-for-Hostages Deal

5a. CONTRACT NUMBER

5b. GRANT NUMBER

5c. PROGRAM ELEMENT NUMBER

5d. PROJECT NUMBER

5e. TASK NUMBER

5f. WORK UNIT NUMBER

6. AUTHOR(S)

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
   National War College, 300 5th Avenue, Fort Lesley J. McNair, Washington, DC, 20319-6000

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSOR/MONITOR’S ACRONYM(S)

11. SPONSOR/MONITOR’S REPORT NUMBER(S)

12. DISTRIBUTION/AVAILABILITY STATEMENT
    Approved for public release; distribution unlimited

13. SUPPLEMENTARY NOTES
    see report

14. ABSTRACT
    see report

15. SUBJECT TERMS

16. SECURITY CLASSIFICATION OF:
    a. REPORT
       unclassified
    b. ABSTRACT
       unclassified
    c. THIS PAGE
       unclassified

17. LIMITATION OF ABSTRACT

18. NUMBER OF PAGES
    12

19a. NAME OF RESPONSIBLE PERSON

Form Approved
OMB No. 0704-0188

Standard Form 298 (Rev. 8-98)
Prescribed by ANSI Std Z39-18
On August 20, 1985, Israel delivered 96 TOW missiles to Iran on behalf of the U.S. in an effort to encourage “moderates” in the Iranian government and to gain the release of seven American hostages held in Lebanon. Israel took this step only after receiving explicit approval for the sale from the U.S. government, which promised to replenish Israel’s stockpile of TOWs to make up for the 96 sold to Iran. On September 15, an additional 408 TOWs were delivered to Iran; as a result National Security Advisor Bud McFarlane was allowed to choose one hostage (except for William Buckley who, unbeknownst to McFarlane, had already been killed by his captors) to be released (he chose Benjamin Weir who was in fact released the same day). Arms sales continued until October 1986, shortly before the sales became public in November. During this period two additional hostages were released, but two more Americans were taken hostage in Beirut. Three additional hostages were released in January 1987.

These arms sales were made despite a long-standing U.S. policy against negotiations with terrorists for the release of hostages and legal prohibitions against weapons sales to Iran. On July 8, 1985 before the first delivery of arms President Reagan had stated in a speech to the American Bar Association that Iran was a terrorist state and that the U.S. would “never make concessions to terrorists.” In what became known as the Iran-Contra affair, the U.S. government repeatedly sold arms to Iran through intermediaries with the intention of gaining the release of hostages held by Shia Muslims in Lebanon -- in clear contravention of policy and violation of the law. Further, the executive branch overcharged for the arms and diverted the profits to support the Contras in Nicaragua -- in violation of the Boland Amendment. This paper will examine the process by which the decision to sell arms to Iran in the hope of gaining release of American hostages was made and what we can learn from this foreign policy fiasco about the way the interagency functions. While the illicit diversion of funds to the Contras is also a fascinating tale of intrigue and deception, the focus of this study is the decision to sell arms to Iran.

Background

According to Bud McFarlane, National Security Advisor to President Reagan in the run-up to the arms-for-hostages deal, the arms sales were not meant to be a “simple ransom arrangement” but rather a “geostrategic” attempt to find an opening to moderate elements in Ayatollah Khomeini’s Iran. McFarlane states that President Reagan approved of the idea of seeking an

---


2 Robert McFarlane, Special Trust (New York: Cadell and Davies, 1994) 6.
opening to Iran. In communicating with Israeli intermediaries who had first suggested that such an opening might be possible, McFarlane said that to establish their *bona fides*, the Iranians would need to gain the release of all seven hostages being held in Lebanon. This would be a precondition for dialogue. In McFarlane’s account, President Reagan was more attracted by the idea of gaining the freedom of the hostages than the geostrategic implications of contacts with Iranian moderates, but he supported both goals. It was a week after the initial go-ahead was given by McFarlane to Israeli officials to make contact with Iran on behalf of the U.S. (in July 1985) that the Israeli intermediaries reported that the Iranians needed proof of sincerity on the U.S. side and requested 100 TOW missiles. McFarlane saw this as a setback but still thought the initiative worth pursuing.

During the ensuing weeks the idea was discussed over the phone and at meetings with key members of the interagency, most notably at an August 6, 1985 meeting of the National Security Council. Secretary of Defense Caspar Weinberger and Secretary of State George Shultz were strongly against the idea of selling arms to Iran directly or indirectly and warned that if publicized such a deal would be highly damaging to the President. Shultz writes in his memoirs that “I argued strongly to the president and McFarlane that arms sales to Iran would be a grave mistake and that discussion of the possibility should be stopped.” Among the major players, CIA Director Casey (along with McFarlane) was the only one to support the idea of selling weapons to Iran, arguing that having Israel sell them on paper (with the U.S. refilling the Israel stockpile of TOWs) was adequate cover for the U.S. McFarlane notes that at the August 6 NSC meeting President Reagan “seemed to fixate on the way Casey stressed that it would be Israel taking the action, not the United States.”

Though accounts are not entirely consistent, it appears that President Reagan did not make a final decision on the issue at the August 6 meeting (though Shultz and Weinberger came away believing the issue was closed). McFarlane argues -- and the *Tower Commission Report* generally agrees -- that President Reagan did give the go-ahead for the deal in a phone call to McFarlane several days later. Arms began to flow the same month even though no hostages were released after the first shipment and only one after the second.

There are thousands of pages of testimony and recollections that detail the later developments in the scandal. This paper’s goal is not to reach a final judgment about who did what but to understand how and why the decision was made to make the initial shipment (which Israel only went ahead with on explicit instructions to do so from McFarlane) and why additional shipments were made despite the clear failure of the policy. The U.S. never found any Iranian

---

3 McFarlane 24.

4 McFarlane 25.


6 McFarlane 34.
moderates (even later when McFarlane and North traveled secretly to Tehran on fake Irish passports), and the total number of hostages held did not decrease.

A close study of the often conflicting accounts of the arms-for-hostages deal leads to the conclusion that there were three major reasons arms were sold and continued to be sold even when it was clear the policy was illegal and a failure. First and most important, President Reagan’s leadership and decision-making styles were flawed, and he must ultimately be judged responsible for the Iran-Contra affair. Second, the personalities of key figures under him (and appointed by him) put loyalty to ideas and to the president above the law, causing a breakdown in the interagency process. They abused their power. Third, it raises questions about the NSC’s mission, specifically, whether it should adopt an operational role in foreign policy.

President Reagan

According to George Shultz’s account of his meeting with President Reagan on November 20, 1986 following the president’s initial public statements about the arms sales, Shultz tells Reagan that there were a number of factual errors in what he had said publicly. Shultz says that Reagan “refused to recognize that there was a problem,” and denied that there was ever an arms-for-hostages deal. All the evidence suggests that despite President Reagan’s contradictory statements after the fact, he did approve the arms-for-hostages deal and did ex post facto sign three “findings” granting permission for the covert sales. While the interagency process broke down for a host of reasons that will be analyzed below, there can be no question that President Reagan did know in broad outline that hostages were being ransomed with arms (though he would not have put it this way) and that he did approve this action. One of the summary conclusions of the Tower Report states that: “The NSC system will not work unless the President makes it work…. By his actions, by his leadership, the President, therefore, determines the quality of its performance.”

In short, President Reagan must ultimately take responsibility for Iran-Contra. The key question then is: how did he let this happen? There appear to be three aspects of his leadership style and personality that led to poor decision-making; each deserves comment.

All accounts of Ronald Reagan underscore that he is a caring, often sentimental man who can be easily moved by human suffering. It is important to recall that Reagan had met the hostages returning after the TWA 847 hijacking on July 2, 1985 and was deeply moved by their ordeal. On a personal level, Reagan always wanted to help. While this is an admirable human trait, it clearly got him into trouble in developing policy to deal with the seven hostages held in Lebanon.

McFarlane calls Reagan a “sentimental” man who was much moved by his

---

7 Shultz 832.

conversations with hostages’ family members. But he concludes that Reagan’s compassion “was not a sound basis for governance; it held the danger of leading him into labyrinths of policy devoid of logic or legitimacy.”

Lou Cannon in his book on the Reagan presidency refers to Reagan’s “obsession with freeing the hostages” and his insistence on making a distinction between negotiating with terrorists (which Reagan claims he did not do) and negotiating with those who might be able to influence the terrorists.

Donald Regan, Chief of Staff during Reagan’s second term, notes about Reagan that he “shunned the abstract, the theoretical, the cold and impersonal approach to problems.” The image of Reagan that comes across from the impressions of all those who worked with him is of a man who was kind, gracious, and personable with a firm set of basic beliefs, but a leader who was neither a strategic or an analytical thinker. He was gifted at carrying the big message but relied overly much on those around him to put flesh on the bones of his vision.

President Reagan’s own words are the most revealing about his personality and his reaction to the Iran-Contra affair. He writes that, “For the first time in my life, people didn’t believe me. I had told the truth, but they still didn’t believe me.” He continues that he was not depressed and argues that, “There’s a difference between having done something wrong, and feeling bad about it, one the one hand, and, on the other, having an inner feeling that says you haven’t done anything wrong....” To the end, Reagan maintains that there was no arms-for-hostages deal because “none of the arms we’d shipped to Iran had gone to the terrorists who had kidnapped our citizens.” As Shultz noted in his book, Reagan just did not get it. Ronald Reagan’s personality did not allow him to recognize that he had made fundamental misjudgments about the situation. Instead he relied on overly subtle distinctions that really missed the point. His strongest conviction was that he himself was faultless -- when all the facts demonstrated otherwise. His “inner feeling” was right and no facts would get in the way. Reagan’s personality had in this sense a fatal flaw which could -- and did -- have devastating consequences, especially when those around him did not provide a needed corrective.

A second personality factor that fostered confusion among his subordinates was Reagan’s decision-making style. His Chief of Staff Donald Regan notes that, “Never did he issue a direct order, although I, at least, sometimes devoutly wished that he would. He listened, acquiesced, played his

---

9 McFarlane 22.


13 Reagan 532.

14 Reagan 523.
role, and waited for the next act to be written. From the point of view of my own experience and nature, this was an altogether baffling way of doing things.”

President Reagan made decisions, but he lacked the ability to communicate them precisely and clearly. As noted above, Reagan did not make a decision about selling arms to the Iranians at the interagency meeting on August 6, 1985; rather, he called McFarlane several days later and gave the go-ahead. But even here McFarlane’s description of the phone conversation is revealing. Reagan refers to the “Israeli thing” and asks McFarlane to “use some imagination and find a way to make it work.” In other words, Reagan’s “decision” is hardly a clear mandate and does not define exactly what it is McFarlane is supposed to do. Cannon says of Reagan: “He thought his staff would tell him anything he ought to know and invested most of his energy and interest in the public performances of the presidency.” Regan notes that Reagan never changed an appointment that had been put on his schedule and that he was “genuinely horrified at the prospect of causing embarrassment or disappointment or inconvenience to another person.” It appears that Reagan held firm beliefs, but that giving direct orders was not his style. Consequently, Reagan’s decisions could be vaguely worded and imprecise. It is this character trait that might in part explain his refusal to admit that he had sanctioned negotiations with terrorists for the release of hostages when he had in fact done so.

A third problem -- closely related to the second -- was Reagan’s management style. He relied more than any other president in recent history on those around him; he did not delve into or care about details. His well-known hands-off management style led to a disastrous outcome when his advisors gave him bad advice or failed to inform him of what in fact was going on. Weinberger, one of Reagan’s most ardent supporters but also a strong opponent of the arms-for-hostages deal, blames McFarlane for the policy mistakes that resulted in the crisis. He says that President Reagan “was badly hurt by people whom he had trusted,” calling McFarlane and others “not only wrong but dangerously wrong.” The Tower Commission also concluded that “President Reagan’s management style places an especially heavy responsibility on his key advisors.”

As likeable a leader as President Reagan obviously was, many of the accounts of his failings, including the Tower Commission Report, are in this writer’s opinion too forgiving. It is with the president that the buck stops. In this case, he knew he was going against the advice of his secretaries of State and Defense. Moreover, if he was going to rely heavily on advisors, he had to

---

15 Regan 268.
16 McFarlane 31.
17 Cannon 35.
18 Regan 272.
choose them wisely -- which in the case of the NSC he failed to do. There is no
question that he knew what he was doing. Even after initial arms sales through
Israel had failed to gain the release of all the hostages, Reagan signed the
finding that shifted the source of later arms sales from Israel to the U.S. and
wrote in his diary for the day: “I agreed to sell TOWs to Iran.” Cannon sums up
Reagan’s actions at this point with unusual forthrightness: “During a six-week
period beginning on December 6, Reagan had signed three findings approving
the covert U.S. arms sales to Iran in violation of his publicly stated policy and his
promises to never negotiate with terrorists. He had held two full-dress
discussions with his top national security officials and ignored and overrode the
powerful and passionately argued recommendations of Weinberger and Shultz.”
Reagan made a bad initial decision on selling arms to Iran and only compounded
his folly later even after there was no question that the arms sales had failed to
achieve either intended goal, the release of the hostages or dialogue with Iranian
“moderates.”

The Interagency Process

While President Reagan must take the blame for a failed and illegal policy
due largely to glaring flaws in his leadership and decision-making style), there is
no question that the interagency process also broke down during this period.
Had it not done so, it is possible, indeed likely, that a poor policy decision would
have at a minimum been reversed shortly after the initial arms sales were made.
However, process was not followed. The Tower Commission Report in the
section entitled “What Was Wrong” begins with the following statement: “The
arms transfers to Iran and the activities of the NSC staff in support of the Contras
are case studies in the perils of policy pursued outside the constraints of orderly
process.”

While some, notably McFarlane, have argued that Shultz and Weinberger
are in part to blame because they did not go back to President Reagan as more
and more problems developed and argue more forcefully against a continuation
of arms sales to Iran, this line of reasoning misses the point. Shultz and
Weinberger aired their views repeatedly and clearly and were to some degree
kept in the dark about certain aspects of implementation. In hindsight it is
tempting to fault them for not being even more outspoken about their
reservations. The fact is though that they had made their case and been
overruled by the president.

Donald Regan, as the president’s Chief of Staff, has also come in for his
share of blame since he should have been watching out for problems that could
undermine the presidency and made sure that the interagency process was
functioning smoothly. He argues, however, that the NSC was an operation unto

21 As quoted in Cannon 638.

22 Cannon 638.

itself over which he had little or no control. He writes that, "From first to last, McFarlane and Poindexter ran the NSC staff as they saw fit.... I could never even find out what their budget was or how many people they had working for them."24 As with Shultz and Weinberger, it can be argued in retrospect that Regan should have taken stronger actions to defend the interagency process and the president, but whatever faults Regan may have had as Chief of Staff, it is disingenuous to shift much blame to him.

The real blame for the breakdown in the interagency process rests with the NSC and to some degree William Casey as Director of the CIA. It was President Reagan’s National Security Advisors, McFarlane and then Admiral Poindexter, and CIA Director Casey who took steps and made decisions aimed at circumventing the normal interagency process in the executive branch and denying information to Congress, thus undermining both the effective functioning of the executive and the checks and balances built into our Constitutional system of government. Two aspects of this interagency failure require analysis: the personalities involved and the institutions themselves.

Casey and the CIA

Casey’s role in the Iran-Contra affair will never be fully understood because he was ill at the time with a brain tumor and died in 1987 before all the facts surrounding his involvement were revealed. The record shows, however, that he strongly supported the arms-for-hostages deal from the beginning, that he withheld negative background information on Iranian arms dealer Ghorbanifar (the CIA had found him dishonest and unreliable in earlier dealings), and that he knowingly failed to inform Congress of actions being taken despite a legal obligation to do so. As the arms sales continued, he also permitted the NSC to run the operation even though the CIA is the government agency that is trained and equipped to run covert operations. It may not be overstating the case to say that Casey betrayed the agency he headed by misleading President Reagan (Shultz, Weinberger, and others certainly did not buy the argument that allowing Israel to sell arms to Iran was not the same in essence as trading arms for hostages), misrepresenting the opinions of his experts, and disobeying the law. As the Tower Commission Report states: “The vetting process would also have ensured better use of U.S. intelligence. As it was, the intelligence input into the decision process was clearly inadequate.”25 This was true despite Casey’s presence at key meetings and his active involvement in the affair.

McFarlane, Poindexter, and North

The two National Security Advisors during the period of the actual arms sales, Bud McFarlane and Retired Admiral John Poindexter (who replaced

24 Regan 48.
McFarlane in December 1985), share the most blame with the president for the
decision to sell arms and the breakdown of the interagency process. McFarlane
made mistakes but may have reversed policy had he stayed on; he comes
across in the end as an honorable man if perhaps too idealistic. Poindexter was
clearly out of his depth and ill served the president and the country. With a
doctorate in nuclear physics but no real interest in politics or foreign policy,
Poindexter was a facilitator, not a policy wonk. Cannon says Poindexter hated
politics and was “a remote figure even within the NSC.” More troubling though
was his failure to understand the responsibility that comes with power if that
power is not to corrupt. Holding one of the most powerful positions in the world,
he did not hold himself or others accountable. His aversion to political process
was so strong, according to Cannon, that he carried out what he understood to
be the president’s wishes “without troubling himself about the legality of his
conduct” and was able “with a clear conscience to ignore the Constitution and to
violate the laws he was sworn to uphold.”

LtCol. Oliver North, the NSC employee who handled day-to-day
implementation of the arms-for-hostages deal, particularly under Poindexter,
was, like Poindexter, out of his league. Ambitious, gung-ho, and dismissive of
those who disagreed with him and of the niceties of the law, North was naive and
overconfident. His book, Under Fire, is a study in self-promotion draped in the
flag of patriotism (it is not surprising that the subtitle of North’s book is “An
American Story” and the subtitle of Reagan’s is “An American Life”). McFarlane
takes full blame for North’s actions while his supervisor but comments that “Ollie
never seemed to get the point that however a public servant may feel about what
is right in the policy sense, he still must work within a legal framework.”

North, though lower down in the chain of command, had the same blind spot as Casey
and Poindexter, namely that they had forgotten that their ultimate allegiance
should have been not to the president, but to the Constitution.

Senators Cohen and Mitchell conclude in their study of the Iran-Contra
hearings that: “In the final analysis, the Iran-Contra affair remains a story about
power -- who has it, in what measure and how it is to be exercised." Personalities again come to the fore. Casey, Poindexter, and North were willing
to circumvent the law in order to pursue policies supported by the president. In
many ways it is another of numerous historical examples of how power, when
used ruthlessly and without due respect for law and morality, can corrupt. This
paper has argued that Reagan is responsible for the decision to sell arms. But
he is also responsible for appointing Casey and Poindexter (and indirectly North).
The interagency process cannot work if the individuals appointed by the
president to make it work subvert it. There is no evidence that President Reagan

---

26 Cannon 625.
27 Cannon 626.
28 McFarlane 362.
29 Cohen 309.
intended to abuse his own power or to break the law; it is consequently ironic that those he appointed to positions of trust were so willing to do so in his name.

The Role of the NSC

Returning to Washington in summer 1982 to take up his position as Secretary of State, George Shultz comments that in contrast to his earlier experience in Washington a decade earlier as Secretary of the Treasury, now “a cult of secrecy verging on deception had taken root in the White House and NSC staffs.”\(^{30}\) By 1986, he notes that: “The Iran-Contra disaster had come about in part because the NSC staff had improperly used the power of the White House while escaping the accountability of the rest of the executive branch.”\(^{31}\)

The role of the NSC since it was created in 1947 has adapted itself to each president and each president’s personality. Under some National Security Advisors, most notably Kissinger and Brzezinski, the NSC has been highly operational and in some cases secretive. While Shultz argues that excessive power in the hands of the NSC is dangerous, Brzezinski makes a compelling case that in the modern world, the NSC must take the lead on policy and occasionally act operationally to implement it. Brzezinski notes that the line between foreign and domestic policy has become blurred\(^{32}\) and only the NSC, close as it is to the president, can see the big picture and be “responsive to sensitive domestic, economic, and other concerns.”\(^{33}\) Further, in terms of the dynamics of bureaucracies, Brzezinski says that: “Bureaucracies do not respond to visions; they respond to clear-cut and enforceable directions -- and these have to come from one source and from the top.”\(^{34}\)

While there can be no final answer to this debate, it is clear that numerous government agencies now share responsibility for making and implementing foreign policy, and that in this sense the Secretary of State will never again control all aspects of the interagency process. The NSC would seem to be in the ascendancy. But the lessons of Iran-Contra are clear. If the NSC is to have a policy coordinating role that trumps the power of individual cabinet members in the foreign policy realm, then the NSC must see its mission not as sidelining other agencies and departments, but directing them based on well informed presidential decisions. Acting operationally should be the exception rather than the rule. The NSC should lead, not circumvent; while this is far more difficult, it is the only way the executive branch’s internal equivalent of checks and balances can work. The bureaucracy of civil and foreign service professionals can

---

\(^{30}\) Shultz, 12.

\(^{31}\) Shultz, 902.


\(^{33}\) Brzezinski, 535.

\(^{34}\) Brzezinski, 535.
usefully “check” the zeal of political appointees and remind them where necessary that the Constitution is above them and, indeed, the president.

During Iran-Contra the interagency process functioned but failed to stop a bad policy decision. The failure was not, however, of the process but of the president and those close to him on the NSC. Most of the blame must fall to President Reagan whose leadership style and choice of National Security Advisors were flawed. The interagency process was undermined by those at the top, and that is the lesson to be learned from Iran-Contra. These were human failings for which there is no easy “fix.” Power unchecked can and will corrupt. The NSC should lead and coordinate policy-making, but it should do so as part of the often cumbersome interagency process. Along with Congress, the media, and the ballot box, the interagency is the best protection against policy run amok.

Bibliography


