

INTERVIEWEE: E. ERNEST GOLDSTEIN (Tape #3)

INTERVIEWER: T. H. BAKER

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B: This is a continuation of the interview with Mr. Goldstein of the White House staff. This, like all previous ones, is confidential until otherwise notified.

Mr. Goldstein, you said last time that when you arrived here you inherited a commission to study the balance of payments situation and all of its related activities.

G: No. I said that what I inherited was setting up a Presidential commission dealing with travel, which was one aspect of the balance of payments operation.

B: What I'd like to ask you is, can you take from the White House view that whole balance of payments problem as it existed there in the fall of '67 leading up to the events of January 1, 1968--what went on and what went into decisions?

G: The two areas in which I had initial responsibility which got me into the balance of payments picture initially were the responsibility for the travel and tourism which is one aspect of the balance of payments; and secondly for development of the export program, because the trade balance is another aspect of it.

Some time in October or November (and you'll have to use externals for exact dates), I received a phone call from Walt Rostow, I believe, saying that he understood from the President that the President wanted me to be involved in the entire exercise involving balance of payments, and he was being the messenger boy--would I get with Ed Fried of his staff and start going to meetings and see what was going on. And [I] went over to Treasury, and there was a meeting in the Secretary's conference room--Secretary [Henry H. "Joe"]

Fowler; Secretary [Alexander B.] Trowbridge of Commerce; I think Eugene Rostow from State; Bill [William M.] Roth [Office of Special Representative for Trade Negotiations]--Ambassador Roth from the President's special adviser on trade or whatever--negotiations; from the Federal Reserve Board it was either [William McChesney] Bill Martin or Dewey Dane; and two or three other people--Ed Fried, myself, and Fred [Frederick L.] Deming [Under Secretary of Treasury for Monetary Affairs] and Winn Knowlton of Treasury--that was about it. And at that point Secretary Fowler had sort of a blueprint or the skeleton of a balance of payments program, and the idea was for this group to take up each item and begin to refine it so that we would have an on-going, effective program.

B: May I ask--was there a sense of urgency by the fall of '67 in this?

G: Yes. There was a sense of urgency within the government, particularly the urgency became very apparent when the British pound came under attack. And as the British pound came under attack, the dollar began to feel it--you know, the sharks taste blood, and then they go on to the next one. The way it was set up in each of the areas--the trade export business, the question of travel, question of foreign direct investments--the outflow of money for investments overseas by American corporations, the questions of military expenditures--people were there from Defense and State for that area trying to get an offset against our expenditures overseas from the countries in which our troops were stationed. All these broke up into small groups with one person or several from the central group sitting in with a larger group of people who did have the total blueprint--only a very small group had the total blueprint, and the rest was sub-groups, but the pieces began to come together.

My own contribution was primarily limited to two areas: one, working on the travel and tourism; and secondly, it became clear to me fairly early in

the discussions on foreign direct investment that the present program and what was contemplated were in my judgment going in the wrong direction. Until January 1, 1968, we operated under a voluntary program, operated by the Department of Commerce, which was designed to set up guidelines under which American business would through self-restraint not flow too much money abroad. The target area, or the amount that had to be saved if the balance of payments program was going to be effective, was about double the best performance that had been done on a voluntary basis; and the voluntary system suffered from the fact that because it was voluntary some people would cheat, some were honest--most people were honest, but the people who suffered most were those who were honest and not the few who cheated. And there was no equity in fact that the tougher you made the program in terms of the bigger target, the worse it was in terms of the cheating effects.

My experience prior to coming to the White House had been the French control over foreign direct investments; and so it was fairly fresh in my mind, the type of mechanism that you could use to control this type of flow. And secondly, I had worked in the Office of Alien Property during the post-World War II period, and still had a certain amount of knowledge of the statute. And as a result of that, I suggested at one meeting, if not the first meeting after hearing the discussion, that we ought to think about a non-voluntary--in other words, a mandatory program for controlling foreign investments.

The first reaction from Secretary Fowler was, "My God, don't even mention it, because this begins to smell of exchange controls. And as soon as you start getting into the exchange control game, then the run on the dollar will be tremendous, and this should not be mentioned." So I took him at his word for the first couple of meetings that I went to, but the more I heard, the more I was convinced that the voluntary program wasn't going to work.

And so I talked to Fred Smith who was the general counsel at Treasury, and asked him if he would check out my belief that the President had power without legislation because the question had been raised--at the time I brought it up--at least I had made the assertion that the President could operate without legislation in this area--and asked him if he would check out whether this was feasible or not. And he produced a two page memorandum which said, yes, the President could by executive order go in this direction.

So at a meeting held in the Cabinet Room, I would guess some three weeks after the exercise began, the President was not there, but the Cabinet Committee on Balance of Payments was; and I brought copies of this with me--I think Joe Califano presided over the meeting. And I told Joe in advance what my thinking was on this. So he said, "Bring the papers along." And I had reproduced the memo from Smith. And so at that meeting we then surfaced the unthinkable, or the unmentionable, and passed out this thing. There was much kicking and screaming, but it boiled down to the fact that Secretary [Alexander B.] Trowbridge said that this was the only way in which you could get a billion-dollar saving, which was our target.

At that meeting the principle was then established, and the President accepted it, that we would seek to devise regulations to give us the billion-dollar saving. We then, day and night it seemed to me, we had a series of meetings to put together the program, using the French model, using a book of draft regulations that existed in Treasury but not quite on all-fours for this.

B: This is all specifically on the matter of--

G: Foreign direct investments entirely because this then became the focal point for my activities, and the rest of it was not my problem or my real activity.

You had to do two things. First of all, you had to figure out what kind of a program you wanted, and having done that, write the regulations that would

accomplish it. One of the things we discovered, and it comes as something of a shock--we really did not have a full reading of how big the shock was at the time--was that in trying to determine the base from which you would get the billion dollar savings, this government, which undoubtedly has the best statistical services of any, had very poor statistics. And even in using the best we had, we devised a system which set up a base period which went before the voluntary program so as not to penalize too many people, and a schedule or concept of dividing countries into class A, B, and C, depending on their degree of development following the reasoning of the interest equalization tax. And then we went out and wrote ourselves a bunch of regulations.

In looking back at it, and after two or three months of the operation of the program, it became very clear that the information we had from industry and the information that the government thought it had were poles apart; and the early difficulties in the program up until practically now have all been because government's own statistical information was completely off base. And this of course was not known to the business community, but it certainly accounted for a lot of our boo-boos; because the flows were of one magnitude--in reality, we assumed they were a different magnitude in fact, and so we built our schedules and our base percentages on what was not the fact; and that caused troubles.

B: Is there any pattern to the inaccurate statistics, consistently low or high, or how inaccurate?

G: They were just inaccurate. They were more accurate for the Western European countries, the so-called schedule C countries, less for the less-developed countries and the schedule B countries--the United Kingdom, Japan, and so forth.

The crucial decision, once you got through the mechanics of putting the program together, was to find out which agency of the government was going to have the black bean and run the program. The Treasury Department runs the interest equalization program; it ran the foreign assets control program; it had the personnel. Commerce is the one that deals with the business community. The arguments essentially were that if Treasury administered the program, it would be considered psychologically possibly the beginning of exchange controls by the Treasury; if Commerce ran the program, Commerce might be in bad reputé with industry. And so the argument boiled down to Commerce saying, "Treasury, you take it," and Treasury saying, "Commerce, you take it"; and Commerce not having enough money to do it but Treasury having enough money to do it.

B: Was this kind of debate conducted on the secretarial level?

G: This is Secretarial level--Fowler, myself, Trowbridge, and we weren't getting anywhere with it. I advised the President what was going on, that this was the hang-up; and he suggested that Charlie Schultz, who was then Director of the Bureau of the Budget, Nick Katzenbach, and I get together with the two Secretaries--and I think with Frank Wozencraft. Wozencraft, incidentally, played a big role in all of this with his staff and the drafting, an absolutely magnificent role. So we had a meeting up here and in effect, Schultz and I were to sit as a court of inquiry and see who got the black bean. In the meantime--

B: Why was Mr. Katzenbach in--?

G: Well, because there's a strong foreign policy aspect to all of this. It affects the AID program, the classification of countries, our whole economic relations are involved. And one of the things he wanted to protect in this fight was

that no matter which agency took it or got it--whether they took it or not--whichever one received it, there would be a working arrangement which would protect State's right to have its voice heard in the ultimate arrangements. So that accounts for his presence. Wozencraft was here because he was just a good lawyer, and had been in on all the developmental aspects. So that's where we were. And we sat up here and the answer came out that it was going to be Commerce, and Treasury would lend the money and lend the personnel; and that's how that started to get moving.

B: This group made that final decision? The President didn't have to get involved in it?

G: No. He delegated to us the decision-making on this, and we went ahead and decided, and that's how it got where it did. I had originally been a partisan for Treasury handling it; I ended up on the other side. In fact, I argued very strongly for Treasury's taking it, but we ended up in the other direction.

Just as a sidelight, because I want to come back to something else in a minute, two things have to be said. Then it got into a very technical procedural thing of getting every agency of the government to sign off on the executive order and the draft regulations that would be promulgated. And that meant late hours, cars floating all over Washington; it's amazing how well the secret was kept, given the fact that people were working for you at four or five o'clock in the morning all over town. But it was kept.

B: You could not afford a leak on the grounds that the money would slip out before the--?

G: That's right. And this is one of the few times there has been a non-leak situation in a very sensitive--one tied with this. But security was good. We got all the copies of papers back, and we kept it fairly tight. As a matter

of fact, what we did was, when I flew down to the ranch for the January 1st press briefing so that the President would sign off on it--it was January 1st and no work was done that day--when I flew back the first place I went was the Archives, and I immediately deposited with the federal register the signed executive order and regulations so that they were published in the Federal Register on January 2nd, and became effective; this was just to make sure everything got in the right place, and if you didn't you would have had this type of slippage.

The second point I wanted to mention was that because of this multiple interest of all agencies in this program, we then went on from that meeting; I advised the President that I thought it would be desirable if we kept up an informal arrangement which we started off as once a week and then gradually went to twice a month, and petered out to maybe once a month or whenever a big policy change came--a regular group representing the Federal Reserve Board, Treasury, Commerce, State, the Justice area, and AID along with State, to sit up here and discuss any changes in policy and developments in the program, changing regulations, whatever it was, to get it done on a coordinated basis; so the White House was in it from the beginning to the end.

B: This was after January 1st?

G: After January 1. One footnote then I'll go back to--pre-January 1st thing--the word of course got out in this town immediately after January 1 that decisions were being made at the White House; and so we quickly disabused people of that; and said that--and it was true--we were not deciding on Mobil Oil here or on IT&T, and they all came in with big presentations and felt they were being badly treated and so forth. And all I could promise them was prompt and expeditious treatment, and finally that sort of died out.

Going back to January 1st, the real question was what do you do about the tourist account; because the tourist account had a big deficit. It was agreed that the McKinney group would go into high gear; and New Year's Eve, as I think I mentioned previously, I spent up here calling around to tell everybody that the President was going to announce the next day that they were going to work right away. But some people apparently had told the President that it would be desirable to have a mandatory program on tourism just as we did on investments overseas, which would mean that by use of an executive order the President would limit the amount of money a tourist could take out with him on a trip. In this case my immediate reaction to the President was that this was bad; this was exchange control; that really we were getting to what the Europeans and the Japanese had been doing and so forth. And whoever had talked to him had primed him that the Japanese did this sort of thing; the British are doing that sort of thing; and why should we be holier than they, we're the ones who are spending the money! So the President said, "Nevertheless, I want you to go through the exercise of preparing the best set of regulations you can on this." And somewhere--I think in Dorothy Territo's [office] or in the Central Files is a complete executive order, a complete set of regulations, all the arguments of the amount for each trip that should be allowed for each year, and all the counter-arguments. And this again is an amazing story in a sense because as far as I know, no one in government really wanted this; in fact, most everyone was vociferous against it, and you really had to twist people's arms to get them to sign off on the basis of, "Even if I hate this, this is the best possible format," or, "This language is the best language even though I'm against it." And we went through the full exercise of getting sign-offs by all the agencies in the government

who were concerned, saying, "Okay, if you've got to go this route, this is the language--this is it." We never surfaced it; it never leaked; we never did it, and I'm very thankful we haven't done it. But we did the work at the same time, and it never showed up at any point.

B: What was the reason for going through all of that?

G: Because the President of the United States said that in case he got to the point where he had to decide that he had to go this way, if the situation got that exacerbated, he wanted a complete fall-back position--he wanted all the mechanism ready and operative if it had to be, so all he would have to do was sign.

It was an interesting psychological exercise--I didn't have my heart in it, but I did do the best job I could. Other people were just plain bullish about it--bull-headed--and they just practically refused to look at the documents; but we finally got everyone to sign off, and we went through that exercise just as we did on the foreign direct investment one--and again no leak, which was very good.

B: I was going to say--that was very quiet too. Were you involved also in that same period with any of the other related activities--for example, getting the Federal Reserve Board to put tighter guidelines on--?

G: Yes. The Federal Reserve Board tighter guidelines thing was hand-and-glove with the whole foreign direct investment thing, and we worked together the whole time.

B: Was that difficult? Since Mr. [William McChesney] Martin's Federal Reserve Board is sort of an independent agency, was it difficult getting him to go along with--?

G: No. First of all, what we did in terms of the Federal Reserve System was they developed their own program; in other words, they came up and said, "This is

the way we think we ought to do it, and this is how we can save this much, and we want to tailor it so that what may be a loophole in ours is closed by the regulations of the OFDI [Office of Foreign Direct Investment]; and what may be a loophole in the OFDI is met by the regulations here." I don't think there was ever a question of--Well, we did debate in this room a lot of the questions of how far the Federal Reserve ought to go and so forth. But there was never any question about the Federal Reserve's willingness to cooperate. They obviously had their own standards, their own statistics which were a hell of a lot better for banks than was any other part of the government. But nobody ever--Dewey Dane or Robertson--none of them ever took the position, you know, "We are going to be obstructive," or, "We're going to stand on this." It was very easy to cooperate with them.

B: Did you also consider and reject any other alternatives such as repealing the 25 percent gold cover?

G: That was part of the package too, and I was involved in that; and I think I've got a couple of memos on it some place. I was also involved in the whole border tax export subsidy question. I was involved in all of the various aspects of decision-making, but I really had the lead, if you will, in this OFDI, plus the tourist program and the development with McKinney afterwards.

B: In the process of putting together all of this package of balance of payments things, did you take into account subjective factors like possible political repercussions?

G: I think that's one of the things the President made fairly clear--I can't remember just how I got the impression. But I operated from the beginning on the assumption that what the President wanted was whatever it would take to do the job of solving the balance of payments problem, and I think we have

to take into account what we mean by the problem. We operated for fifteen out of the seventeen years with a deficit in our balance of payments, and nobody got very upset about it until the British pound was under attack. Taking the balance of payments deficit as a percentage of our gross national product, it's a very small, practically a "de minimis" percentage of the gross national product. And you can make a good argument for the fact that we can afford a balance of payments deficit as one way of financing just the growth of the international economy, international trade. It has to come from some place; and nobody had ever worked out the adjustment process, and we still haven't, where the countries in surplus sort of do something for the countries that are in deficit. And the U.S. economy was booming, and had for all these months, so essentially we were not weak at home; essentially the dollar was strong, but what was weak was the psychology of the dollar. And a lot of what we did was packaging, except for the 10-percent surtax which had been talked about before--but a lot of the program was designed for psychological impact as well as the reality, because in reality the dollar wasn't really in trouble if you want to be very honest about it. But everybody said it was and the foreign bankers said it was and the people who were speculating against it said it was, and so you had to do something to stop it, because merely getting up and saying that the emperor isn't wearing clothes is not enough--just telling the truth is not enough; you have to put on the cosmetics. So this was part of what the program was all about. Reality was you were going to save more than a billion dollars this year on the outflow from direct investments. We've improved our tourist account a little bit, but between the assassinations here and the riots in Europe, tourism got arsy-versy anyhow. Our trade account had gone to hell, but that's not the fault of the balance of payments situation.

B: Did you expect some sort of immediate shock or dislocation from the January 1st announcement? You mentioned last time that you had communications to the Stock Exchange in the Situation Room?

G: Well, we didn't expect to shock but we felt that there was a certain degree of unpredictability about the way people would react; we had taken no opinion surveys, and no marketing or motivation studies had been made to figure out how people were going to react. So after talking to Manny Cohen, I suggested to the President and he agreed, that we set up in the Situation Room a sort of watch in which we had direct lines to the exchanges--Manny Cohen would be there and a couple of his people, I think Pollack was one of them; Larry Levinson was in for awhile on that; and we just sat there and monitored the market for a couple of days. And then when it began to operate pretty well, we just picked up our marbles and went--I think it was then and not when we went to the two-tier gold system, I'd have to check; but it was one or the other--I can't remember which; I'm a little fuzzy.

B: I assume the January 1st holiday announcement was designed at least in part to minimize any shock on the Stock Exchange?

G: Yes. First of all, doing it on January 1st, everything was closed; secondly, by having a full program and not a piecemeal thing, you had a lot for people to digest and it was conceived so there would be a contribution, if you will, from every segment of the economy--the tourist segment, the trade segment, etc. And this multilateral approach to it meant that everyone was given the impression that there was a contribution coming from every part of the economy, and no one person was being singled out as the scapegoat.

B: Did you have anything to do in the aftermath of this with the travel tax?

G: Yes, I got into the travel tax. The McKinney group started going with their overall--what I would call expansionist or the positive elements of trying

to improve the travel account through attracting more people here. The President on January 1st said that he had asked the Secretary of the Treasury to explore with the Congress, the appropriate committees of the Congress, means to curtail the unnecessary travel, or something of this sort. And this language was taken to mean some form of restricting travel abroad. The impact of this language was such that when the President went to do the State of the Union message, we suggested to him that he make it clear that what we were getting at was unnecessary travel--that we were not going to affect students and scholars and old people going home to see their family in the old country before they died and all that sort of thing. Because the mail came in in a fairly horrendous flow that "you're stopping all academic freedom, and you're stopping all chance for intellectual exchange; and you're stopping old ladies from going home to Norway." Everybody was mad at the thing.

B: Did anyone ever think of defending the travel tax by saying that it was the travel tax or the restriction on money tourists could take out?

G: Well, if you ever got to that point, you would sure as hell scare the pants off of the bankers overseas, because then you'd be talking exchange controls, and that's one reason why we didn't want to get into that.

B: The secret about the possible restriction on money which kept--?

G: That's right. The President's instruction was to explore. What happened, as best I can put it together--Secretary Fowler in talking with the committees on the Hill, particularly with Wilbur Mills and with Byrnes of his committee, came up with this travel tax idea which is actually a tax on expenditures over a minimum amount. And this way the concept would be that you would be discouraging people from excessive expenditure. The cosmetic approach was, well you're really attacking the jet set. The jet set is a phony because most

people in the jet set don't pay their bills anyhow, and they live off of each other; and they always get free rides for one thing and another. So actually the big money spender is not the so-called jet set, but it's the middle-class American. And it's expressed in many ways. The tremendous influx of so-called "duty free" gifts under \$10 that are worth far in excess of \$10. There's no way in the world with that type of legislation that you can really control the flow; Customs Service doesn't have enough people to check these packages and make sure that they're not fraudulent, and the fact is there's a tremendous amount of fraud in this. And this beating the customs thing is pretty bad.

Various things were thought of. There was a proposition for head tax that you pay so much a day just because you were abroad; tax on the tickets-- the further you went the more you would pay. Well, you can buy a ticket, say, to London or to Canada; then you'd fly from Canada where you'd have no tax there. Or a tax based on the number of days you were abroad. And then all sorts of gimmicks came through. And the one that for some reason or another was latched on to is probably the least difficult, although fairly difficult to enforce and to make work, was this idea of taxing expenditures over a certain amount.

The real fight I think that developed was as to the minimal amount. The testimony and the figures prepared by Stanley Surrey [Assistant Secretary of the Treasury] and his people over at Treasury showed that for the school teacher, the student going abroad, the person going home to Italy to visit the old folks for a period of time--the average expenditure was close to \$10 a day--\$9.77, something like that. And all of us argued for setting the minimum at \$10; in other words, any expense over \$10 a day, on the theory that this would carry out the President's statement in the State of the Union

message--that he wasn't going to penalize students and teachers and all the other people. An interesting statistic that was developed, and again here's a very good example of a place in which statistics on travel are practically zero in this country; we rely mostly on non-governmental sources, and no two people can agree on what a person spends abroad. But using the best figures available, you find that on a per trip basis the man that goes home to visit his old folks in Italy for thirty days, and a guy who goes to Paris with an income of, say, \$20,000 a year or better, for maybe a ten or fifteen day trip, will spend in two different time periods roughly the same total amount of money--one just gets more days for his dollar. So that if you start with that proposition and you spread out the \$10 a day, you could make the argument on the other side that you weren't going to really cut into expenditures very much, and you'd have a large amount of tax collecting and a lot of paperwork for a very small return.

But Secretary Fowler originally in talking with the committee seemed to have come to an agreement for \$5 a day. And I remember we had a meeting down in Califano's office--you had Katzenbach and you had Fowler, Allen Boyd, because Transportation was very definitely interested; CAB was represented; etc. And Joe came up with a figure of \$5 a day, saying that this was what Mills and Burns wanted. Well, the cries and screams were very loud, and there was nobody in the room that wanted \$5 a day--almost pathetic. And then Secretary Fowler had heard Byrnes say something that indicated he was willing to go to \$7, so he suggested that \$7 was the position and he was going to stick with it. Califano and I, who were then in the position of advising the President as to what we were going to go up with and what our position should be--we both advised the President that we felt that he, the President, would suffer

politically for no good reason at all if he got identified with the \$7 a day tax minimum figure which could not be justified by even the best testimony we could adduce in favor of it.

The President's response was a very interesting one. Joe Fowler by this time had been working for months without end, his gall bladder was bothering him, and he was really at the end of his rope, and he had just not ceased working. And the President's response in effect was, "Look, get off of Fowler's back; I'm big enough to take the heat; I just can't put Joe through any more of a wringer. He has had enough problems. Apparently this would be a big problem for him if he had to go up for \$10 when he has already talked to them on this basis. So I, Lyndon Johnson, will take the heat and take whatever criticism that comes out of this, but let Joe go without his having to suffer." I'll let you judge on the facts the significance of this type of action, which I don't think was the first or last of its kind. The result was the President did get a lot of criticism; the travel tax never got anywhere--none of us ever felt it really would. But the reason for pushing and going through the motions was again the psychological one--that if everybody else has to bear a share of the balance of payments deficit cost, tourist has to, and at least you go through the motions. And so while we were going through that motion, we were then cranking out the McKinney program designed to expand foreign travel here.

B: This was the circumstance you described earlier in which you committed your one deliberate leak.

G: That's right. The night before the meeting in Califano's office where we came up with the \$7 a day thing, there had been a story--you'll have to check the chronology--but I think there'd been a story by Lee Cohen in the Star who said in effect it was going the \$7 route. And I've forgotten who called

me from the Post, and he wanted to know all about it; and so I very deliberately said, oh, this was ridiculous, it was going to be \$10--the other couldn't be justified, and so forth. And it was ascribed to a White House source or some other foolishness.

That meeting at which we finally ended up with the \$7 subject to the President signing off on it, that's when there was some comment about the \$10 figure, and we had so many days--I forget all the details now. And Fowler made some rather strong remarks about it, and so I just bluntly admitted--blurted it out, that I had been responsible for it, and Joe wasn't at all happy.

B: What was your purpose incidentally?

G: The best that I can reconstruct my motive--my motive was that since I knew we were going toward the \$7 route, I thought if I could derail it and go to \$10, because there was talk of a sliding scale too at that point with a \$10 bottom and you go up so much--from \$10 to \$15 you pay so much tax; and then the percentage of tax would increase from \$15 to \$20 and \$20 to \$25 and so forth--you'd have a sliding scale tax. And my thought was that if I could surface this scheme which was \$10 minimum, and then this, that, and the other stages above it, that in this way we might be forced into following that line. If we did, the President would look less foolish than if he came out with \$7. And that was the only motive. The only motive was I thought I could create a situation which I was unable to do in which we would take a position which would be the position that would bring the least amount of criticism to the President. It didn't work.

B: Did you get involved in the subsequent international monetary crises--the British pound, and then more recently the French franc troubles?

G: The French franc trouble I was out of pretty well completely; the British pound thing was all during this operation, and I was in on that, yes.

B: A question arises in connection with this. What we've been talking about here, both domestically and in international monetary affairs and their relationship, is an enormously complicated technical matter. And the question that arises is, how well does President Johnson understand this? Who explains to him the ins and outs and the complexities of this kind of thing; how well does he catch on? In other words, he makes decisions here, or at least approves other people's decisions--does he really know what he's doing?

G: You're darned tootin' he does! First of all, you have a lot of complexity in your analysis of a situation; you need trained economists etc., etc. But I'm not a trained economist, and maybe I'm reflecting a special bias. But in addition to the trained economists--and Joe Fowler isn't a trained economist either--you need to have some idea of what the business and banking community really operate like. That's a bad sentence, Eisenhower syntax. But the real question is what is banking like in the real world and not in the textbook; what is the way in which IT&T conducts its affairs or Mobil Oil or Standard of New Jersey, or any big corporation. Do they do it according to a textbook, or do businessmen make deals in particular ways, and do they react to things? So you're really dealing with two things--you're dealing with the technical problems of how you control banks through the Federal Reserve System, which can be very intricate--that's a procedural question, a very difficult one. You have the technical question which is what sort of relationships were you going to get from one money to another; or what international monetary scheme will create a particular reaction. You also have a very practical businessman's approach or a banker's approach, which is not necessarily the approach of the economists.

Now, what the President seems to do--he relies on the technical people just as the Federal Reserve Board relies on its economists who are some of the best

in the government; to say to them, "These are the figures and in order to get from A to B you're going to have to do this, and this will be the effect on the economy." And so the Council of Economic Advisers had somebody in on all of these meetings--I forgot to indicate that--but in all the things we were talking about. These are the people who can give you that kind of background. The President has to rely on the good sense and the good judgment of his technicians in that area. Then there are people who put nuts and bolts together who are not the theoreticians, but who are dealing with the way business reacts and the way bankers react.

The President has had enough practical experience over thirty-one years that he's a very quick study--you don't have to hit him over the head. And I think he takes into account a number of things; first of all, he gets opinions from a lot of people--I don't think he relies on just one person's opinion in any of these complex things.

B: Another question I had--he does make sure that he gets all possible ranges of opinion then?

G: Some people even criticize the fact that sometimes there'll be somebody working parallel to what you're doing, and you don't even know about it. My reaction is this is the President's prerogative. There's no reason why I should know that somebody else is doing it, because he may come out with a different answer, and his answer may be right. There's no single assistant that has infallibility. So this doesn't disturb me. But, you know, Gardner Ackley will give him one opinion; Bill Martin will give him another; he'll get another one out of Califano; he'll get another one out of me; and they may all converge, and he may take something that is entirely different. During the time we were working on this restriction on tourism through an executive order, he was

operating--as far as I know, I don't know who was advising him--but visibly he was the lone wolf getting some information and some advice which he was not getting from people in government with whom I was working on a day-by-day basis, at what was about as high a level in government as you would have working on this problem. But obviously he was getting it from somebody.

B: Of course he does talk regularly with outsiders in the sense of Mr. Fortas, for example, I assume.

G: And Mr. Clifford before he came in and others. So this is how these things get done. But you don't have to explain things to him twice. Also, if you write your memo as coherently as possible, he'll understand it.

B: You said you did not get involved in the recent difficulties with the French franc?

G: That's right.

B: In spite of your background and knowledge in French affairs?

G: That's right.

B: Have you at any time since you've been here been involved as sort of a liaison between Mr. Johnson and President de Gaulle of France?

G: In a backward one-way sense. I wasn't the President's emissary, but it's conceivable that I may have been the carrier on the other side. The entire incident then was fairly highly classified. I went to France in February of '68--originally I was going because I had only seven days to close out there, and I had left a lot of loose ends including things that had to be done in the apartment; and February seemed to be a good time to get away. It was just a good time in terms of Congress and everything else, so the President allowed as how I could go. My wife came with me and we paid our own way--I think I ought to put that on the record all the way. What started out to be a

purely personal thing ended up as being all work--in fact, I came back early because I was pooped.

I was first invited to make a speech at the American Chamber of Commerce annual Ben Franklin Dinner, and this turned out to be very good because one of the things I had been working on with the SEC was trying to sell the SEC gospel to Europe as a means of expanding European capital markets--the more we expanded European capital markets, the more heat off of ours, and this helped the balance of payments etc. So we decided--I say, "we" decided, I mean talking to State and Treasury and Federal Reserve and the rest--to put together a speech which was designed to say to the Europeans in effect, "Our foreign investment controls are your great opportunity. This is the European challenge now. Go out and take your money out of the mattresses and start investing, and give people confidence in their own markets."

I was supposed to go to Brussels--I was invited to do the same thing in Brussels; and I canceled that part of the trip because I was real fatigued. But then in addition to this dinner and the speech, the American Embassy-- [Charles E.] Bohlen had just left, but he was leaving when I was coming in, there was no connection of course--but they decided they wanted to make use of me; and so they set up a bunch of luncheons with people in the French Foreign Office, French banking circles, French business circles. And the USIS [United States Information Service] people discovered that the French press was going to be very receptive, and particularly the French radio and television which had been strongly anti-American; and so it was set up that I was going to do five minutes on TV on their combined Huntley-Brinkley-Cronkite show--their news show one night; and do a noon or one o'clock twelve minute interview on the prime radio show; and see about 7,000,000 people. And the

result was that I spent I think the fourteen days--it was a fourteen-twenty-one day ticket, and I came back on the fourteenth day because I couldn't stand the twenty-one. The President had given me the time, but I worked too damned hard.

In the course of it an old friend of mine who had been in France a long time and who had been president of one of the major American companies in France asked me if I would meet an old friend of his for drinks in the Crillon Bar, which I did; and it was a gray, wet night, and the bar was empty; and it was a perfect setting for a bad B espionage movie. And I met his friend who purported to be very close to the General, for which there was very good evidence. And he purported to have some sort of an idea of a way in which the world could be divided up into spheres of influence. And I have absolutely no idea whether this was legitimate or not--I reported fully to the President; to Secretary Rusk; to Dick Helms; and to Walt Rostow, and that's about as much as I want to say about it at this point.

B: This was some sort of nineteenth century geopolitical scheme that was proposed in all seriousness?

G: Yes.

B: Did you have an opportunity to hear the President's reaction to it?

G: I merely reported, and he listened, and that was the end of that.

B: Have you been close enough to it to have any opinion on the relationship between de Gaulle and President Johnson?

G: Yes. I think I have seen enough and heard enough of it. The President's comments to me I think on the first day were very clear in the way of instructions that no one was to be heard or seen criticizing the French government, or responding to anything that we might consider an insult or a criticism of the United States, no matter what the provocation. And this has been the policy. The

French have been very much aware of it; a good number of them are very happy about it, because it helped maintain relations on an even keel. And this is the so-called low visibility policy, or low silhouette policy, whatever you want to call it. And I think it has worked; I think it has worked very successfully-- I know this from my French friends; I know this from people in the French government.

An interesting corollary to it--when the question of who was to replace Bohlen came up, I argued long and hard for someone who would be young and dynamic, and who would serve as a rallying point for the very fundamental pro-American feeling that exists in 99 percent of the French people, really. And when Sarge Shriver got it, I was very happy; and he and I had had several long talks about the way to carry on. And I don't claim any credit for his doing what he's doing, but what I suggested and what he's doing happen to be the same thing. And I think part of it is his nature and would have been that way without any suggestions. But this idea of being highly visible, being seen everywhere, doing everything, has been terribly effective; and he has been terribly popular.

B: I hope this isn't rude. Was there ever a possibility that Ernest Goldstein was under consideration for that post?

G: I don't know. Some people had suggested it, but I don't think it would have been a good idea myself.

B: Why not?

G: Well, I think that it would have created some very serious conflict of interest problems because I've always made it clear that I was going to go back and settle in France. When I left Paris to come here, I stated very explicitly that my intention was to go back and live there. And there's always a problem,

when you are an Ambassador to a country from the United States, that very often you become the Ambassador from that country to the United States. This phenomenon has certainly shown up in our Ambassadors to India; after about two years they become great Ambassadors for India in the United States. You know, it would have been a lot of glamor, and there would have been a lot of prestige and all that jazz, but fundamentally there would have been some very serious problems. Because my relationships with a good many people in France are very strong, very personal, very warm; and even if I could be a hundred percent objective, which would be highly undesirable, and even if I came up with all the right answers, I don't think that it would have been possible to keep out the possibility of conflict of interests--accusations if not reality. So I don't think it would have been a very wise thing to do.

B: One of the things you've done since you've been here is to revive, I believe, the custom of regular lunches with various Ambassadors from other countries--is revival the correct word?

G: Yes. Jack Valenti did it in a little different form--each one of us changes the format. The idea of the luncheon was purely and simply to give the President an opportunity to talk very informally and off the record with six or seven Ambassadors, as I did it--Jack, I think, had four or five, I think we went as high as eight one time; and do this on a fairly regular basis. The format we set up was I would serve as host; I would invite the Ambassadors, would not tell them why they were being invited--and one of the interesting things is the Ambassadors who came were so jealous of having come that they very seldom told other Ambassadors about the luncheons, a very strange phenomenon because people would come in, and they'd be genuinely surprised.

B: You mean the word never got out that an invitation from--?

G: I'm sure the word got out, but it was amazing how much impact this had on individual Ambassadors, and paradoxically how flattered they were with it, that they just didn't talk to a lot of people about it. And until I went on the Today show on July 4, there was, I think, one question asked one day in one of the press briefings, but that's about the size of the amount that it got out in the town.

B: How did you choose these groups of Ambassadors--on sort of a regional basis, or did you try to mix them up?

G: Both. What we did, the first one was a very classic one; we followed the pattern that Valenti had, and that one--I served as host; Walt Rostow was there; we had somebody from Walt's staff--I guess it was Hal Saunders--and we had Luke [Lucius D.] Battle from State, and maybe one of his people. What we did there was we invited all the Arab countries with whom the United States had diplomatic relations after the June war, included the new Jordanian Ambassador who had just come to the United States. We had Jordan, Saudi Arabia, Lebanon, Tunis--anyhow, I think there were six or seven, I'd have to go back and check. And we had the State Department people who dealt with them; the Security Council people who dealt with them; myself as host. And then the President came in and there was a very strong give-and-take on the six-day war.

The President when he comes in always brings usually whatever visitor is with him in his office, and introduces them; and then they usually leave. And I can't remember whether it was at that one or the next one, but the President brought in the Vice President, because the upshot was that the Vice President enjoyed these things so much that he became a regular guest at the luncheons instead of coming in at coffee; he came in at the beginning of the luncheon and he sat at one end of the table, I sat at the other, and his contribution

was immeasurable. And of course this just doubled the effectiveness of these luncheons.

But after the first one, which was classic, then I began to get a little more adventuresome. And in talking with the people in Protocol in Jimmy Symington's office over at State, we tried to get compatible groups; so it wasn't only regional--we'd have East and West Europeans. And I think one day we had people from Asia, I guess including Japan; we had Latin America; we had Europe; and I think we had a few from every continent except Africa. And the comment was made at lunch that we were all plotting the invasion of Africa. But we tried to mix them up.

B: By compatible--do you mean men who were personally compatible?

G: No. But, for example, you couldn't have the Israeli Ambassador obviously with the Jordanian--that's the type of compatibility I'm talking about.

B: Is the President pretty effective with a group like that?

G: I think he's terribly effective. He's prepared for both types--one of the two patterns that usually evolves. First of all, he gets a briefing book that is done by State the night before; and so he has background on each of the Ambassadors, their current problems in their country and so forth. And he does his homework very well. The President comes in and after shaking hands, being introduced, and so forth, he sits down; he sort of throws a question out on the table. Sometimes you get a bunch of Ambassadors who just don't dare for one reason or another to pick up the question and run with it, or to ask one in return. I think I've had maybe ten or fifteen Ambassadors who at one time or another said, "I only wish I had thought or had the courage to ask the President such-and-such a question." And then I've had maybe twenty or thirty others who've said, "Gee, I'm so glad I asked that one because he really did answer

it." So, it works--sometimes people are reticent; sometimes they're not. And then if people are reticent and they hold back, whatever is currently on the President's mind he very often discusses--monologue is not quite the word because it doesn't turn into a colloquy--it's a discussion of what has been happening in housing or whatever happened to be right at the top of his head on the Viet Nam situation, or something that was particularly in his focus at that time; and if the Ambassadors of the countries weren't interested in focusing on their own problems or their relationships with the United States, then he would move off into this other field. So he kept all of his options open.

B: Did the Jordanian group really quiz him on our Middle East policy?

G: The Arabs were--

B: I mean the Arab group.

G: The Arab group was very frank, and the President was equally frank. I think the language of diplomacy is often very necessary, but in these luncheon meetings, without anyone being rude, I think there was a very direct exchange which was part of the magic of them; I think they're very effective.

B: It's understood, I gather, that these are off-the-record so far as the Ambassadors are concerned.

G: The Ambassadors understand that this is off-the-record, and so there has never been a problem. And very little gossiping. This is one reason I think why there's very little gossiping about them. One of the fall-outs for me was that of course I got on the diplomatic dinner circuit, which has not been without its absolutely great compensations, because I've made some good friends this way.

B: Have you had an opportunity through both formal and informal contact with the Ambassadors to sort of serve as the President's listening post for opinions about American policy overseas?

G: About very specific things, yes.

B: Has this particularly involved the overseas reaction to the Vietnamese war?

G: I think that has been part of the least of the problems in terms of the reactions of individual Ambassadors. The President usually said at the luncheons, you know, "I don't want to undercut the Department of State when the Department of State's Secretaries are sitting there," so it's all very clean and open and aboveboard. But he said, "Sometimes, if you want to get some word to me, you can talk to Walt or talk to Ernie, and so on." Now, actually this is more Walt's shop than mine. This was sort of ancillary to what I was doing, but very directly related to what Walt was doing.

And so I remember the Bolivians, I think, had some thing that particularly bothered them; so they got in touch with me, and I suggested that they get in touch with Walt. On the other hand, the Czechs had invited me out for lunch--just the two of us, the Czech Ambassador and myself--and I then came back and gave a fairly full briefing of what he had wanted to convey. The Israelis have occasionally had thoughts that they wanted to get across. There has been a considerable amount of it, nothing that I would consider earthshaking, but points that people wanted to have made on a particular problem.

B: Someone may notice in the future the connection in time here between this interview and the Russian invasion of Czechoslovakia--was that what was involved?

G: No. I did not see the Czech Ambassador, talk to him, from the time of the invasion until about a month or so later. No. The Czechs' interest actually was primarily commercial relations, and the most favored nation clause--a status which Czechoslovakia does not have in its trade relations with the United States. Its desire to export more here; its desire to solve the gold problem that we have with Czechoslovakia which involves gold bullion that we

seized from the Nazis that belongs to them; and the question of what conditions we'll return it to them, and so forth. But none of the fancy stuff.

B: Does this operation ever get you in trouble with people at the State Department?

G: I try and keep my skirts clean; and every time I run into something that is substantive, I'll not only let the President know, but either Walt or his shop or, if I feel that his shop isn't enough, I will also call State. The result is that in some areas the reverse path through State--although State normally works with Walt in the areas involving the European economic community, for example, as a community and in the general French area--I sometimes find myself caught in a squeeze play where the people at State will ask me to do things tied in with their interests without going to Walt. And I try and avoid this type of friction as much as I can.

B: Have you also been pretty extensively involved in our Israeli and Middle Eastern policy?

G: Extensively is a hard term to deal with.

B: I was thinking from the double standpoint of your connection with the Jewish community and the United States, and your law of the sea expertise.

G: The law of the sea thing--I came here after the June war, so that aspect of it--I don't think there was ever much question about their rights under the law of the sea.

B: I was thinking of current events--the Russian Navy in the Mediterranean and the Black Sea area.

G: That's all strictly Israeli--no controversy as far as--there's no issue of law involved here. I don't think I played an extensive or a major role. First of all, the five points in the whole area of our position on the June war was well set in concrete really before I got here. The area in which I got involved,

I suppose, was when a bunch of Jewish Congressmen were complaining about the fact that we weren't sending the jets fast enough to Israel. The President asked me to go up on the Hill with Walt to do a briefing with the Congressmen, which I did. The Israelis have from time to time, either Embassy personnel or people in the Jewish community, have at one time or another said something about the jets. And I've always taken the position that the President was the only person who could make the decision in this area; it was no longer a State Department decision; it was no longer Walt's problem or anybody else's--it was purely the President's; and that this is where it would have to be. The only thing I really, I suppose, got in in any direct or indirect sense was when the question arose, was the President going to speak at the B'nai B'rith dinner during the last convention here; and both the Presidential candidates--Humphrey and Nixon--had made outright promises to deliver the jets. And I had suggested in a series of memos that the President go and speak and that he very carefully not make that commitment; that I thought it was an improper sort of commitment to make. And I remember that one of my memos came back--the President said, "I'm not going to that dinner."

But the President did go to the dinner, and he made a magnificent speech which I thought was opening the door toward better negotiations for peace, and putting the burden on the Russians and the Arabs in a sense to either move toward disarmament and relaxation of tensions, in which case the United States wouldn't play its card with the planes, or the hole card with the planes was there. And interestingly enough, the speech was read by the Israeli press as being a bad speech; the Israeli Ambassador however read it as a good speech, and so advised me, as did two or three others of the Embassy, and I passed the word along to the President--that they felt that this was putting the ball not

only in the Arab lap, but in their own lap and certain responsibilities in terms of being reasonable about Jerusalem; reasonable about borders. And they were sort of intrigued with the idea of the responsibilities they had being laid on the line as carefully and closely by the President; and they took up the challenge as being worthwhile. So it was interesting that the local diplomats found this to be a desirable speech, and one that was fair. Back home, it was considered a bad speech, and the Israelis sort of kept me abreast of the internecine wars between the local and the foreign office back in Tel-Aviv.

B: In cases like that, do you in turn keep the President abreast of what's going on?

G: Yes. Not in the gossip point of view, but just so that he knows what reactions he's getting, and what the people are saying, and what they're thinking of doing. This is one way in which he gathers his information.

B: Have any of your activities been involved in the Vietnamese war directly?

G: No, thank heavens!

B: I was working around to what may be an unanswerable question. There has been some speculation as to whether or not within the White House staff there have been any particular peace influences on the President; that is, whether any of you people--I'm trying to avoid using hawks and doves--but is this the kind of thing you do?

G: Back there I have a poster which I might as well read into the mike, which says, "E. Ernest Goldstein, Special Assistant to President Johnson. Legal aspects to the war in Viet Nam, Johnson Chapel, Amherst College." I started off as a law professor backing the legality of our position in Viet Nam, without necessarily endorsing tactics or anything else. And at various times I have written memoranda to the President which contained my best judgment as to the way to

proceed toward ceasing the bombing or getting--well, I had an idea which I'm sure was not original with me, but I passed on at one point about a ceasefire, and then just see what would happen type of thing--not quite as simple as that, but same type. Or a question of whether we can really make the case for continuing the bombing, what are the statistical evidences, and so forth; and what usually happens in a case like that, the President gets the memo, and then I get a call from Walt; Walt says, "Come on down, let me explain this to you." And then I get Walt's briefing on this part of the Viet Nam war. I've probably done two-three-four memos in which I've expressed my own views, and that has been about it.

B: Do the members of the staff here ever debate this among themselves, or indeed, even argue it?

G: I've never heard any real strong argument. Occasionally, John Roche, when he was here--he and I would get together because we were interested in trying to sell the intellectual community--or the academic community--the justification for what we were doing in its broad sense, without necessarily justifying bits and pieces or ways in which we went at it. But except for that contact with John, which was fairly good while he was here, I didn't have much contact with anyone else on it except those occasional meetings with Walt in which Walt would explain to me why whatever it was I was suggesting was not feasible.

B: Are there any of the other areas here in which you are involved that something ought to be put on the record about? For example, the stockpiles, the bases study, antitrust--?

G: Stockpiles--we ought to say that the President about four years ago set up an interagency committee headed by his special assistant to bring a certain amount of order into the criteria of the stockpiles. By that I mean we're talking

about not an atomic war, we're talking about a non-atomic war; and when I say criteria, we're talking about the duration of this war--what sort of GNP we want to maintain at home; what level of the economy at home during this period; the accessibility and availability of supplies both in terms of the political nature of the country where the supplies would come from that might be needed, and the physical location in terms of transportation problems.

B: I perhaps had better make this clear for the record. You're talking about "this war" in a hypothetical sense.

G: I'm talking about a hypothetical war which is a non-atomic war for which we need a stockpile of certain strategic materials. And when I picked up the stockpile in October or November, the fight had been going on for three years really as to whether the war would be a two-year war or a three-year war as the base for doing your criteria; and whether we would get our supplies--and all of this I trust is completely classified--whether we would depend on getting our supplies only from those countries that were contiguous as distinguished from friendly countries that might be further away. There was absolutely no agreement in the government; and one of the fall-outs was that in going to Congress for legislation which would authorize the disposal of surplus stockpiled materials, certain members of Congress took the view that we were selling off materials not on any rational basis, but only to make money and reduce the deficit in the Treasury, and that we were jeopardizing national security. The truth is that during the Eisenhower Administration we bought an awful lot for the stockpile, not for any strategic purpose but only to help the domestic economy, and this was a form of subsidizing a lot of domestic industry. And we found ourselves with a slew of stuff that we could never conceivably use and a lot of it was deteriorating and so forth.

B: There was no motive involved of getting extra money for Great Society programs?

G: Not as far as I know. We were sitting up here trying to figure out what was needed in terms--you're not going to finance an awful lot of Great Society out of what you sell out of this stockpile, to be very honest about it. So we were stymied; we did have this Congressional relations problem; and we did have internal disarray in the government. And so we worked--meetings about once every two weeks primarily to get these criteria to the point where everyone was onboard; and then from these criteria we could then build the objectives. In other words, knowing all these various inputs, we would then say, "Okay, we need so much tin; we need so much lead; we need so much zinc, etc."

Well, at the beginning of the summer, we finally got everybody agreed; and then Governor [Price] Daniel and I sent the President a memo--Governor Daniel being the head of the Office of Emergency Preparedness and an old friend; and he came onboard at OEP shortly after I took over the stockpile or about the same time; and I think this made for much easier relationship on the committee, because we were friends and we both wanted to work together rather than at swords' points as apparently had happened in the past. Anyhow, we got agreement; and then the President--there were lapses of time because of the summer and one thing or another--the President wasn't sure that he wanted to sign off on this or not, finally agreed to it; it has been done; and this has been cleared.

In the meantime we did other things in the stockpile which I'll just touch briefly. In addition to the criteria in setting objectives on a normal basis, when you do have authority to dispose of stockpile materials this doesn't mean automatically you just go out and sell it; because there may be political implications, particularly in the international area, that are very serious.

If we were to sell all of our tin, you'd have a revolution in Bolivia, in Malaysia; if you sell your rubber off, you have Indonesia, Malaysia, and all the other rubber producers just going out the window. And so part of the problem here was to reconcile the desire of some of the agencies of government to get rid of a lot of the stuff, which they had already had the authority to do from Congress, and the impulses on the part of, say, the Council of Economic Advisers not to heat up the economy in this place or to get rid of something in order to cool off the economy, and then the State Department saying, "Well, jeez, don't do it or else we'll have terrible problems with this country or that country."

So we would meet here about once every two weeks and try and get that type of problem threshed out. And I don't think we ever had to go to the President with a decision-making controversy; we would get people to the point where [we could] reconcile all views, everybody would be willing to give a little, take a little, and let him know what happened and that was the end of it.

B: The basis of all of this stockpile activity as the projection of a hypothetical non-nuclear war--is that the realistic kind of thinking?

G: Yes. We're in a hypothetical non-nuclear type of war right now in Viet Nam.

B: That's what I mean. You said something about a hypothetical non-nuclear war, whether it would last two or three years. Who would have predicted the one in Viet Nam?

G: You better check your history very carefully before you go stretching out the length of it, because it's one thing having a few advisers in there; the actual period of time in which a large number of U.S. troops have been committed in Viet Nam is a lot shorter than the total duration of the Viet Nam operation.

Secondly, the Viet Nam war is not being fought as a classic war designed to beat an enemy; the fact that we have not crossed the DMZ with our troops or by commando raids going ashore north of the DMZ does not put this in the same pattern as a traditional war in which you wish to capture the enemy's territory and destroy him.

B: Your hypothetical war, the classic war, is something like, say, World War II that you are basing it on.

G: Yes. Or a smaller conflagration.

B: Does your thinking on stockpiles also take into account the possibility of future conflict like Viet Nam?

G: There are provisions where that's geared in, yes.

B: I'm not trying to probe for the secret aspects of it--it's the basis of thinking that I was curious about.

G: But you see the type of war that Viet Nam represents, there is no attack on our own product, or our productivity; our sources of supply are not interdicted by any naval or air forces of North Viet Nam--you're dealing with an entirely different sort of situation than one which your classic war--

B: From the standpoint of statistics at least.

G: Right. So we've got that stockpile--

B: Bases studies?

G: Bases studies--I don't think there's anything more to say than is in the memoranda which anybody can find. Immigration, I think we've talked about--I can't remember whether we have or not.

B: Yes, we've covered it.

G: We've talked about obscenity and pornography.

B: Antitrust activity?

G: I think one thing to say outside of the dealings of the Federal Trade Commission, because of my interest in antitrust I suggested to the President we set up a task force to study the possibility of revisions in certain areas where antitrust laws--

B: Is this based on the development of new types of businesses like the--

G: The conglomerate is one part of it, but it's not the only change, not the only area which may be sensitive. And so the President finally agreed to setting up a task force which was made up of a broad spectrum of practicing lawyers and law professors. That task force report has gone to the President, and it's classified--end of story. But we did set it up; we got a good report out of them, I think; and we had terrible times financing it, again, as a perfect example of trying to find the money to do the job. It's a real mess.

B: The procedural question--will that kind of report, things left undone in effect be available to the incoming administration?

G: No. That's part of the President's papers. You needn't characterize it as being undone. The purpose of the report is to give the President the thinking of this group; the President doesn't have to accept or reject it. Very often these task force reports, portions of them, will surface in some sort of legislative program or otherwise, but not pinpoint it as coming from it. They'll be available in the Johnson Library whenever these papers are unlocked.

B: You have some responsibility in connection with the Johnson Library, don't you?

G: Yes. I've been helping get films for the Library; I've been through an exercise that was designed to see whether we could set up exhibits for the Library. And it was a useful exercise. We got a lot of people together. And we came up with the justification for the President's view that you need live--not live in the sense of people--but temporary exhibits in presidential libraries

to keep the libraries alive and something more than a morgue full of scholars after the initial shine wears off. And practically all of the presidential libraries are adding on to their temporary exhibit space. Some don't have any at all. We had hoped to be able to put together at least one exhibit before January 20 which could serve for both the Truman Library and be used as a pilot project down in the Academic Center in Austin as a preview of what's coming at the Johnson Library; and this was going to be on enriching the life of the older people, but this would cover Medicare, Social Security, the whole gamut. And since much of it stems from the Truman era, like Medicare, this would sort of be a big bridge between the Truman and the Johnson--Truman-Eisenhower-Johnson, actually Kennedy; and it was not to be a sort of beatification of the personality of Johnson or cult-personality sort of thing, but just a straightforward telling of the story of the problems--some of the solutions and the problems that have to be resolved, but in a way that a guy who pumps gasoline in Keokuk, Iowa, would have some empathy for and understand and feel.

B: How active has Mr. Johnson himself been in planning for the Library?

G: I have the impression he has been terribly involved--terribly not in the sense of bad, but completely involved.

And anyhow, we got this one; and we ran into two problems--one, that there wasn't enough money to finance it at this point; and secondly, that there wasn't enough time to put together for a really professional exhibit. Because you can't do this with crepe paper and paper cut-outs--it has to be done with all the tricks of exhibitry. We've got some rough cuts of a script, but that's about all we have. We just finally quit because it was just too darned hard to do in a short period of time.

B: To jump over to another topic, at least some people in the White House were beginning in the fall of '67 to make plans for what they thought was going to be Lyndon Johnson's reelection campaign. Were you involved in that?

G: Yes. As a matter of fact, I got involved with the things that were happening up in Connecticut and Massachusetts--a couple of phone calls here and there. In fact, I was working on a Saturday before the Sunday of the March 31st speech; I was talking to people in New York City and New York States and other places on the blyth assumption he was going to run; and at the same time trying to figure out what I would be doing during the campaign and even more importantly how somewhere around September or October of 1969, after I had put in about two years or more, I'd be able to make a graceful departure for Europe.

B: Was Mr. Johnson aware of your involvement in these pre-March 31st--?

G: I'm sure he must have been.

B: Did he either encourage or discourage--?

G: He never talked to me directly about it, but an awful lot of people suggested to me that I ought to talk to this one or that one; and I assumed that the people who were talking to me were talking to him.

B: What was the assessment before March 31st about the campaign? Had you already started figuring out who opponents were going to be and how well Mr. Johnson would do?

G: I never occurred to me that he could do anything but win. It was going to be a bloody battle, but it never occurred to me that (A) that he couldn't get the nomination; or (B) that having been nominated, he couldn't be re-elected.

B: Did you ever have any indication of whom he would have preferred to run against?

G: No, I never had that.

B: Did you get involved in any of the activity within the Democratic party after March 31st and before the convention?

G: Within the Democratic party is too broad. Besides my own personal relationship with the Vice President, whom I am very fond of, there were people advising the Vice President who were old friends of mine dating back to the '40's here in town--people like Bob Nathan whom I've known since 1943 or '44; and so they would occasionally pick my brains of whatever I might have that would be useful, and would call for opinions on one thing or another--luncheons to discuss the whole range of things; and I tried to provide as good information as I could. Occasionally they would have a request for something out of here, and I would try and serve as their conduit--nothing very formal, but enough so I kept my hand in.

B: What was the atmosphere here in the White House in that period? Was there a feeling that--well, to put it fairly bluntly, that it was all right to help Mr. Humphrey, but don't help Mr. Kennedy?

G: Well, I'm really talking about the time--Wait a minute, no. I didn't do anything--

B: I'm talking about before the convention.

G: Before the convention I stayed away from it. I stayed out of it; I didn't talk to anyone at all before the convention; the President had really laid it down that we were supposed to be neutral. And before the convention I didn't get involved in it a bit.

B: The activity you've just been describing was after the convention?

G: It was all after the convention. As a matter of fact, one of the real problems was my wife wanted to be very active before the convention; and although I wasn't very happy about it, I finally decided that she'd be better off if she didn't get involved, because it would be misunderstood. But as soon as the

convention was over, there was no question about full involvement by either one of us, although she was more visibly active than I was.

B: Did you try and encourage Mr. Johnson to take a more active part?

G: No. The only advice I gave the President was not to go to Chicago.

B: For the convention?

G: For the convention. And--

End of tape

November 23, 2010

MEMO FOR THE RECORD

Through examination of the background file for the interviews of E. Ernest Goldstein, it has been determined that Interviews III & IV were both recorded on December 19, 1968.

Laura M. Eggert
Archives Technician

GENERAL SERVICES ADMINISTRATION
NATIONAL ARCHIVES AND RECORDS SERVICE

Gift of Personal Statement

By E. Ernest Goldstein

to the

Lyndon Baines Johnson Library

In accordance with Sec. 507 of the Federal Property and Administrative Services Act of 1949, as amended (44 U.S.C. 397) and regulations issued thereunder (41 CFR 101-10), I, E. ERNEST GOLDSTEIN, hereinafter referred to as the donor, hereby give, donate, and convey to the United States of America for eventual deposit in the proposed Lyndon Baines Johnson Library, and for administration therein by the authorities thereof, a tape and transcript of a personal statement approved by me and prepared for the purpose of deposit in the Lyndon Baines Johnson Library. The gift of this material is made subject to the following terms and conditions:

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