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#26 memo	meeting with Finance Minister Strauss <del>Confidential</del> 4 P. open 8/19/90 NY 94-194	<del>7/25/68</del>	<del>A</del>

FILE LOCATION

Meeting Notes File, Box 3

DCH 11/81

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION  
between

President Johnson and Finance Minister Strauss

July 25, 1968, 11:45 a.m., at The White House

Other Participants:

US: Walt W. Rostow  
Mr. Edward Fried  
Mr. Edwin D. Crowley  
Mr. Harry Obst (Interpreter)

FRG: Ambassador Heinrich Knappstein  
Mr. Rieger (Assistant to the Minister)

The President, after an exchange of courtesies, expressed his satisfaction at the good relations between the United States and the Federal Republic and thanked the Minister specifically for the cooperation of the German Government in international monetary matters.

Minister Strauss congratulated the President on obtaining a tax increase from Congress. He said that this represented a kind of psychological turning point which had contributed greatly to get many other matters settled in the financial field. He said he knew just how hard it must have been for the President to get this bill passed as he had had to increase taxes himself when he took office eighteen months ago.

Mr. Rostow interjected that Minister Strauss had remarked to him during their conversation on the occasion of the Adenauer funeral that he found himself in a very uncomfortable position. Not only did he have to increase taxes but to lower veterans' and welfare benefits at the same time.

The President remarked that there may be fields in which the Americans are the equal of the Germans and there may be fields where the Americans were better than the Germans, but the fiscal was certainly not one of them. He had always believed that whenever a situation arose that tended to separate the boys from the men the Germans could be found on the proper side and this had been true of fiscal matters.

Minister Strauss said West Germany had been fortunate to have enjoyed 18 years of prosperity after the currency reform. Their first serious recession had come in 1966 and it had been a good thing that the FRG was able to overcome

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E.O. 12356, Sec. 3.4

NIJ 94-194

By 410, NARA, Date 7-24-96

it fairly quickly as both Britain and France had suffered economic setbacks recently which would have led to a much worse crisis if Germany had still been near the bottom of its recession. These incidents pointed out the need for greater cooperation among the European countries. Maybe in four or five years or so the British and French may have to bail out the Federal Republic.

The President stated he was hoping and praying for a united Europe. Until this could become a reality, it was essential that the United States and Germany work together closely in every field, and he was sure this would be the case.

Minister Strauss replied that the FRG after the war had been provided economic security through the Marshall Plan and military security through the Alliance. Nobody appreciated this more than the Germans. However, Europeans today showed a greater and greater tendency to enjoy life in the shadow of the greater world conflicts, removed from exercising responsibility on world politics. They were content to let the United States do the job. On top of that, many raised their voices in criticism of the actions of the United States. It was extremely important to bring Europe back to a greater sense of responsibility and engagement.

The President nodded agreement and said, "the whole world must be brought to exercising greater responsibility."

Minister Strauss said he was often described as the "gang leader" of the Gaullists in Germany. He believed that in many ways de Gaulle was pursuing the right goals. He disagreed with de Gaulle, however, on two points:

1. He believed de Gaulle was wrong in flirting with Moscow as, for one thing, the Soviets would never regard him as their match. France was too small.
2. He also believed that de Gaulle's "constant resentful anti-American tune" was lamentable.

It was not necessary to be anti-American in order to gain greater independence for Europe as the United States was not opposed to a more independent Europe.

The President stated that the United States indeed favored a more independent Europe. He would not do anything that could promote such anti-American sentiments and he had always turned the other cheek when confronted with such statements. When the French found themselves in trouble, he was among the first to hold out a helping hand.



Minister Strauss said he believed that this course pursued by the President was an extremely wise one.

The President added that in extending a hand to France he had not only been guided by compassion and good statesmanship but that he had tried to act in the interest of the entire world and, also, because he could envision a situation in which France could be much worse off than under de Gaulle.

Minister Strauss stated the present measures would not go far to cure the basic ills of France's social structure. France was lagging far behind its partners in industrial relations and the living standard accorded the working class. Minimum wages for construction workers were under \$100 a month while prices were 50% higher than in the Federal Republic. With such conditions, nobody should have been surprised by the recent events in France.

The President described to the Minister the plans for setting up a public affairs school in Austin, Texas, with the aim of taking outstanding students with BA's who had political interests and giving them the very best possible education in public affairs. He was trying to attract the very best of teachers and public figures to take part in this project. He, himself, having had only a limited education, was acutely aware of the benefits such an institution could render to aspiring political leaders. He would very much want to invite the Minister to come down sometime after the opening of the school next September for a few days of lectures and conversations with the students.

Minister Strauss expressed his gratitude for the invitation and said he would be absolutely delighted to accept it. He said, moreover, that he found this to be a fascinating idea which the Germans should also take up as, if anything, they had an even greater need for well-trained and well-informed political talent.

The President then described to the Minister the reasons that had influenced him not to run again for election, and pointed out that the major legislation he had been able to get through Congress recently would not have been possible if he had had to give undue weight to the political factors involved in running for office.

He thanked Minister Strauss again for the good cooperation on fiscal matters and said he believed that this area was now in reasonably good shape. He hoped he would be able to rely on German cooperation also in the future.

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Minister Strauss said that he had had fruitful talks with Secretary of the Treasury Fowler and that there were no misunderstandings on financial problems separating the two. He recognized the great importance of the offset issue in keeping American troops in Europe and was ready to start negotiations on the long-term offset solution this fall.

The President emphasized the great importance of such a long-term solution. He thanked the Minister for his visit and said he hoped to see him soon in Texas.

By Harry Obst  
LS/Staff Interpreter