JACK KEMP
ORAL HISTORY PROJECT

LEWIS E. “LEW” LEHRMAN

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Interviewer

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Jack Kemp Foundation
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Morton Kondracke: This is a Jack Kemp Oral History Project interview with Lewis Lehrman at his office in Greenwich, Connecticut. Today is December 14, 2011, and I'm Morton Kondracke.

Thank you so much for doing this.

Lewis Lehrman: Great to be with you, Mort.

Kondracke: When you think about Jack Kemp, what immediately comes to mind?

Lehrman: A statesman who could have been President. He was one of those remarkable men who did so many different things extremely well. That he was an outstanding football player, a team leader. It does not always lead to great political leadership or great business leadership. In Jack's case it did, so there must have been a connection in his heart and mind, I'd say, from the very beginning that exhibited political energy as well as physical energy on the football field.

Kondracke: So what do you think are his most outstanding characteristics both personally and politically?

Lehrman: His most obvious—I'm not sure it was his most outstanding, but his most obvious characteristic was the enthusiasm, the infectious enthusiasm which he would generate as the leader of a team. I think he woke up in the morning thinking himself the leader of a team, whether it was he and Joanne [Main Kemp] and their family, a team to make America better, or whether it was the team that he organized in politics when he first arrived from Erie County, Pennsylvania. He was a natural captain, and probably was the captain of his football teams from the earliest days in grade school.

Kondracke: Yes, he used to tell his kids as he was leaving the house, "Be a leader." So when did you first meet him?

Lehrman: Knowing that you were coming, I thought a little bit about that. I could have done some research in our own files, which are not set up in a way whereby I could quickly get through them, but it was surely in the 1970s. I was writing for *The Wall Street Journal*. I knew some of the people well whom Jack knew, like [Robert L.] Bob Bartley, who I think became the editor of *The Wall Street Journal* in 1972.

Whether I was introduced to Jack by Bob Bartley, I don't know. It's plausible, but I can't be certain. So we got to know one another in the seventies and discovered immediately that we had very similar views on economic growth and how to make America and keep America number one through economic growth, both of us believing that wealth in America at all levels of society were basically the sinews of national strength and a strong national defense, which was so important at that day, facing the Soviet Union as we did.

We also discovered that we had a mutual interest in the sixteenth President, Mr. [Abraham] Lincoln, and I had already been writing on the subject. I wrote birthday articles February 12th for *The Wall Street Journal* on different aspects of Mr. Lincoln's life. So Jack and I would talk on the telephone. When he was planning to give a speech, he invariably—I'm not sure from which date, but he invariably included in major speeches some kind of a quotation from Mr. Lincoln to demonstrate his point. So we had common intellectual principles, common economic policies, and, in particular, we shared a view on monetary policy, which was not then and is not now commonplace.

Kondracke: So as time went on, you had what relationship? You were his friend, his student, his teacher, his competitor? How would you describe your relationship?

Lehrman: Well, I think that I was a little older. I can't be certain of that. He always seemed so young. We were definitely friends. He was definitely going up the learning curve in certain areas of economic policy, especially monetary policy, the Federal Reserve, so there we spent a lot of time analyzing the Federal Reserve, monetary policy, the international monetary system, which at that time was a preoccupation of all the economists, Bretton Woods gradually coming apart in the 1960s and then having collapsed in 1971, I think just before Jack came to Congress.

The question was, could Humpty Dumpty be put back together again? Could we restore a sound, stable international monetary system based upon stable exchange rates and a stable dollar? And, of course, the debate went on through the 1970s, and Jack went up the learning curve very quickly, embraced a dollar—as he used to say, "A dollar as good as gold,"—and an international monetary system based upon mutual convertibility of the major currencies. He introduced in 1984 the Gold Standard Act of 1984, and it was a deliberate, carefully drawn attempt to restore a modernized international gold standard as well as domestic monetary stability, and define the dollar as a weight unit of gold as it had been throughout American history.

So I would say friendship, shared economic views. The fact that I was in the private sector, I think he valued that inasmuch as he was full-time at politics.

Kondracke: So describe to me the learning curve and your participation in it, especially on monetary policy. How often did you meet? How often did you talk? What did he read, and so on, as you remember it?

Lehrman: Anybody who's an historian has to have a very great respect for the illusions of memory, so I will do my very best, not having checked the facts and the circumstances in my own files.

On monetary policy, one can't talk about that issue as Jack formulated his own views without talking about the supply-side movement. Well, describe it as a movement, then, is too large an idea. It was just generally a small group of people, a meeting at the Lehrman Institute, and then some of them going off to drink and eat at Michael's Restaurant. But the sort of serious sessions where there was no food, no drink, were the seminars at the Lehrman Institute on economics, and the participants are well known, so I won't review that, but I will focus on—

Kondracke: I'm actually going to ask you to describe the participants, but go ahead on your train of thought.

Lehrman: Okay. Brian Domitrovic has written a book on the subject. He's a fine historian, a fine economic historian, and a financial historian. I would say the book was substantially influenced by his personal meetings with Arthur [B.] Laffer and [Robert] Bob Mundell. I never really had a chance to meet with him. On the whole, I find the book excellent, though I would say that it concentrated perhaps too much on individuals and a little less on the economic facts and circumstances at the time in which those individuals were interacting with others outside this small supply-side group.

Jack, in the area of monetary policy, was much influenced by Bob Mundell, who was at Columbia at the time—and, of course, Bob came to the Lehrman Institute seminars—and by Arthur Laffer, who at that time, I think, may have been in California but spending a lot of time in New York. I think professors have a certain mobility that businessmen don't.

Jack also had a research assistant and a speechwriter by the name of John [D.] Mueller, who I think came to work for Jack in the late seventies. John and I had met, and John at that time was, as almost all American economists, much influenced by the reigning errors, many of them Milton Friedman's, that is to say floating exchange rates and a Federal Reserve which could be run by a computer on a seasonally adjusted basis. I gave John the translations, which I had done into English of the collective works of Jacques Rueff, the famous—

Kondracke: You had translated them?

Lehrman: Yes. I think they're right here in this room. And I published them in France, in French, with Plon, the same publisher that did the memoirs of Charles de Gaulle. In my view, Rueff was the greatest economist of the twentieth century, in a word, and certainly the outstanding monetary economist.

So John Mueller, in fact, embraced it very quickly after reading these volumes, and Bob Mundell and Art Laffer, on the one hand, and I sort of disputed the merits of monetary policy at that time. Bob was, on the whole, a man who wanted to revive some form of the Bretton Woods arrangement, and Art Laffer, I think, on the whole, deferred to Bob Mundell on monetary policy, although he had many of his own views and he was a very original fellow, as Mundell was.

My view was that the Bretton Woods arrangement had been defective from the beginning. It was flawed because it was based on the reserve currency role of the United States dollar, which enabled the United States to run permanent balance-of-payments deficits and permanent budget deficits inasmuch as the U.S. Treasury could be financed by the Federal Reserve, and the Federal Reserve would print the dollars to finance the budget deficit and also print the dollars to finance the balance-of-payments deficit, thus, over the long run, gradually encumbering the United States with an insupportable burden of debt. I think the facts show today, thirty years later, that that was a correct analysis, and it continues.

So Jack had to choose between a true gold standard, an international gold standard, a settlement of balance-of-payments deficits in gold, and the limitations it would impose upon the Federal Reserve to finance the U.S. Treasury, among other aspects of our twin deficits.

Eventually, Jack came in the 1984 Act to embrace not only domestic convertibility of the dollar to gold, but the international gold standard; that is, major countries having an arrangement whereby their currencies were mutually defined in law as a weight unit of gold, thus, really it amounted to a common monetary standard underlying the different national currencies. A franc, a Deutsche Mark, U.S. dollar were trademarks of the domestic currency, but they were all defined by a specific weight of gold, thus mutually convertible.

Kondracke: Did he actually come up to the Lehrman Institute?

Lehrman: Jack? I think Jack gave a talk at the Lehrman Institute in the eighties, but I cannot remember the date. I think he did it on the second floor. There was a big entrance hall on the second floor. I know I saw him so often in New York, it would be easy for me to confuse that with the number of times I saw him in New York.

Kondracke: So his education process in monetary policy basically took place in your presence where?

Lehrman: In my presence there were meetings in Washington. There were meetings in New York, but I would say maybe 80 percent of the time I spent with Jack turned out to be in Washington, not to mention long phone calls.

Kondracke: How often?

Lehrman: How often? It's hard to say with certainty. It's long enough ago; we're talking about the seventies and the eighties. But regularly. And if it wasn't about monetary policy, it was about Lincoln and looking for ideas for his speech.

Kondracke: If you were going down to Washington, you'd just naturally stop in to his office?

Lehrman: I would.

Kondracke: And then you'd spend how long with him?

Lehrman: Sometimes a very long time. Jack was very generous with his time. And very often there were other people there, whether it was Bob Mundell or Jude [T.] Wanniski or John Mueller.

One of the things that I do remember is that I was able to conduct my campaign for the convertibility of the dollar and the repudiation of the flaws and weaknesses of Bretton Woods through John Mueller. John and I became close. John read the original works. He had mastered the subject, and, as a result, I was always confident, after John went to work for Jack, that on a day-to-day basis he would be hearing the case for the historic American monetary standard.

Kondracke: Did you know John before he went to work for Kemp?

Lehrman: I did not. John is, himself, a remarkable man. He's the rare bird who is very, very learned and very, very modest, and he's a master of the economic policy, but of so much more in addition to that, social policy as well.

Kondracke: So how much of the stuff did Jack read himself?

Lehrman: Jack read everything I wrote, and I wrote a lot. It's being collected now and there are a couple of volumes. He read everything that I wrote. I failed to mention the form of communication of sending him my articles, for example, that I might publish in *The New York Times*, *The Wall Street Journal*. I published a great deal in the seventies and the eighties. Morgan Stanley published four very big manuscripts on monetary policy. So Jack always was the first to get the documents. What he did with them I don't know, but he was a reader. He was an avid reader, and I always believed that he had read them.

Kondracke: Did you get feedback?

Lehrman: The kind of feedback I would get, "Well, Lew, can't we put Mundell and Laffer's ideas together with yours and come up with a formula whereby we are able to get this into legislation?" In the end, we did. In the end, what we did was we made the international gold standard, the classical gold standard, convertibility of currencies to gold, a province of the major countries, with different gradations of those who were emerging countries. Emerging countries would reach a certain level of prosperity based substantially, I think, on per-capita income, and then they would be required to join the international monetary system that was upheld by Europe, Japan. When I say Europe, they were individual countries in Europe at the time led by Germany and France and England.

But the major developed countries plus Japan and America would be on a classical gold standard where all balance-of-payments deficits would be settled in gold, whereas emerging countries would not have to align themselves with it until they reached a certain level of prosperity. This was in order to establish a level playing field so that you wouldn't have a situation where you have a mercantilist power like China essentially a predator on the international monetary system by maintaining an undervalued currency.

Kondracke: So this would involve an international conference where everybody would have to agree on the standard?

Lehrman: Yes.

Kondracke: That was part of the 1984 Act?

Lehrman: Well, it was not part of the 1984 Act itself; it was part of the plan. I'd have to go back and read the act to see if there was any reference to an invitation for an International Monetary Conference, but it was always clear in Jack's mind, as it was in mine—and I hope I'm not projecting—that the United States would lead. Indeed, the same proposal I make today requires the United States to lead.

Now, in the 1970s and 1980s the United States was still the hegemonic power, much more so than it is today, so the idea was a natural one and almost never questioned the United States could lead a restoration of the gold standard, even for those who, of course, were unalterably opposed to it, whereas today there are those who do not think we have sufficient power to do so.

Kondracke: Now, this circle, supply-side circle, on monetary policy, I take it when these meetings took place in Washington or at the Lehrman Institute, had people of different strains, as you described, some Mundellians, some Rueffians, and I guess some monetarists, too. Paul Craig Roberts, I guess, was—

Lehrman: Two Rueffians, Mueller and myself.

Kondracke: Yes. So how did the action take place? Did Jack just sit there and let everybody argue, or did he direct the discussion? Some of these people presumably got mad at each other, no?

Lehrman: Yes, they did. Art Laffer, of course, was very voluble. He's very articulate and always had something amusing to say as well. Bob Mundell was not quite so voluble, and sometimes he was difficult to understand. He has a way of speaking. When you're with him directly, he speaks very quickly, and occasionally it will sound a little bit like a mumble. Jude Wanniski was a passionate, very passionate advocate of his point of view and could become angry when he was thwarted or when he didn't carry the day.

Kondracke: What was his take on gold?

Lehrman: His take on gold was that it was an important aspect of the monetary issue, that it might be sufficient simply to target the gold price; that is to say the Federal Reserve would observe the movements of gold within certain ranges and target the gold price by an active monetary policy to maintain a certain level within a certain range. I always considered this a fantasy.

Kondracke: Why?

Lehrman: The gold prices, when it is not the monetary standard, behaves very much like other commodities. It has unique characteristics that make its movements different from other commodities in the fact that the rate of growth of output doesn't grow more than 1 to 2 percent a year, nor does the growth of output of gold exceed more than 1 and a half percent of the total stocks on hand. So it doesn't have movements which are in any one year as dramatic as certain other metals, such as copper, zinc, lead, or other commodities like wheat, corn, and beans and soybeans.

But the gold price could be falling in periods of expansion, and to target the gold price with an aggressive expansionist monetary policy at the Federal Reserve could intensify inflation, even when you observed that inflation was a paramount consideration in monetary matters, so that the only way in which you could stabilize the dollar was, in fact, to fix its value.

So I opposed targeting the gold price because it was as ineffective a policy as targeting the inflation rate or targeting the core inflation rate because the variations of the inflation rate or the core inflation rate or the gold price were not always related to the simplistic reductionism that comes down to an analysis of what the Federal Reserve system is doing.

Kondracke: So how did Wanniski take that?

Lehrman: Jude would get annoyed with me. Eventually, I think Jack embraced the classical gold standard. You could call it a Rueffian view, but it's the classical mechanisms of the monetary system, which I think substantially accounted for the stability and the rapid economic growth and the integration of the world economy during the great Industrial Revolution without inflation. So Jack came, I think, to have a great deal of respect for the nineteenth-century experience and believed that there was no reason why, with convertibility, we couldn't do it again.

Kondracke: So I'm just trying to get the picture here of Jack at one of these discussion sessions. Does he ask questions? Does he lead the discussion? Does he let everybody dispute amongst themselves and just listen? How did it work?

Lehrman: He leads the discussion. He asks questions. He is always attempting to moderate the passions that could arise from one person or another. He would always want to guide the discussion towards—

Kondracke: Got any favorite stories about that process?

Lehrman: I have one. It's probably too personal. In one of those meetings there was a vibrant discussion over monetary policy, because there was not too much disagreement on tax policy, there was disagreement on budget policy. I think I was the lone holdout that deficits do matter, budget deficits do matter, and the budget had to be in equilibrium over the full business cycle. But in one of those meetings—this was later, I believe, in the eighties as he was considering running for president. In the midst of a conversation, he said, "I want to hear what Lew has to say. He's going to be the next Secretary of the Treasury," and that caused a lot of sputtering and anguish.

Kondracke: From?

Lehrman: I think everybody except for Mueller.

Jack would announce that on the campaign. I even found it embarrassing. There would be big campaign events, and, of course, I was a loyal servant of the campaign and I would attend them. Jack would point at me and he'd say, "Worry not. We're going to have a dollar as good as gold. Lehrman's right there, and he's going to be the Secretary of the Treasury." Well, from those of colleagues who dissented from my opinion, you could see stone faces, because we were all standing pretty close to one another.

Kondracke: This is who, stone faces? Who were the stone faces?

Lehrman: I prefer not to mention the names, but there was a lot of honest disagreement. For example, Jude in his own way read me out of the supply-side movement because I insisted that you could not have sound economic policy without the aim being a balanced budget. Jude taught a whole generation of people that deficits don't matter, and he had certain political reasons for doing that. He believed that you had to get away from root-canal economics, as he called them, and for him, a balanced budget was root-canal economics. For me, a balanced budget was not root-canal economics; it was the only sound way to run a national government.

Kondracke: What about Laffer? Where was Laffer on that issue?

Lehrman: I don't know where he is now, but my recollection then was that he, too, he and Jude were very close on the issue that deficits don't matter. One of the problems of that was even though they were extremely well intentioned, is that they believed that Republican economic policy had to focus strictly on tax-rate reduction, no spending reduction, no real enforceable mechanisms for spending control or spending reductions. And as you know, during the George

[W.] Bush administration it became a public commentary by leading Republicans that deficits don't matter.

So what was argued in the seventies that deficits don't matter, in a very small group of supply-siders who had no influence in the early part of the seventies, gaining a great deal of influence in the eighties as a result of President Reagan's economic policy, that this whole idea that deficits don't matter persisted converted a whole generation of Republicans, and when the Republicans came into office in the first decade of the twenty-first century, those deficits don't matter passed the lips of some of the senior officers of that Republican administration in public on television.

Kondracke: [Richard B.] Dick Cheney. [laughs]

Lehrman: So ideas have consequences, and not just good ones. Well-intentioned ideas have consequences.

Kondracke: Well, Jack Kemp was an opponent of root-canal economics as well, so did you have disputes with him about that?

Lehrman: I don't ever remember having a dispute with Jack. I just insisted by making the arguments that it was a policy doomed to make America ultimately poorer. Jack would get impatient with it because he wanted our coalition to be together. Eventually, Jude, in his own way, wanted to rule me out of the supply-side movement on the deficit issue alone.

Kondracke: How did he do that, writing you out?

Lehrman: He wrote some hard articles. I don't exactly remember when they were published. He had a firm called Polyconomics, and, yes, he had some hard articles that he wrote there.

Kondracke: Do you regard yourself as a supply-sider?

Lehrman: Well, yes, certainly that the Lehrman Institute was one of the places where the entire movement was hatched. I'm a tax-rate reducer, I'm a deregulator, I'm a gold-standard man, but I'm also a budget balancer over the business cycle.

I still remember talking about this with [James P.] Jimmy [Kemp]. I said, "Well, Jimmy, why don't you just use the word 'budgetary equilibrium' if you can't bear the word 'budget balance'?"

He said, "I think I like that phrase."

Kondracke: So in this circle just tell me where some of these other people came out on all these issues. What about Paul Craig Roberts?

Lehrman: He was a talented guy, and he was, on the whole, I recollect, indifferent to the budget question. He was an aggressive tax-rate reformer and very early, and I think Craig felt himself earlier and wiser and better informed than Jude, so they did not get along very well, to the best of my recollection.

[interruption]

Craig was very well informed. He had done a lot of homework. I respected his research. He believed that he was earlier in the advocacy of so-called supply-side economics than Jude, and he and

Jude did not get on that well. Craig was a controversialist and so was Jude. In fact, you could describe them both a little bit as provocateurs, so that even in competing with one another, together they helped to advance the whole idea of tax-rate reduction.

Kondracke: Shouting matches?

Lehrman: I think there must have been some. I can't recollect myself, but some of the passion in their exchanges, written exchanges which I saw, suggest to me that there was an intensity about their ownership or how many shares they owned in the supply-side movement.

If you look at the supply-side movement and you take it in its origins, let us say, or at least its ostensible origins in the early seventies, there was a great bull market in the supply-side movement from about, let's say, 1970 till 1992, and how many shares you owned determined about what the implied economic value of your contribution was, and it was fought over by some.

I was going to say that because I was in business at the time with a slight interruption for a campaign in New York as a private citizen, I was less involved. I didn't have the time to be engaged as a full-time politician intellectual, so that I was less present for many of these meetings than others. I had five children and a wife to whom I was dedicated and a business that I had to run at that time. In the latter part of the Reagan years, I was at Morgan Stanley. Before that, I was running our own investment business, and I had given up the presidency of a company in 1977, so that they engaged my attention in a way whereby I simply couldn't be loose-footed in Washington.

Kondracke: [Jeffrey L.] Jeff Bell.

Lehrman: Oh, Jeff is terrific. Jeff is probably the most refreshingly candid observer. Jeff will reduce long arguments between self-appointed learned people to a single slashing sentence that summarizes it all and makes the case and sort of stops the conversation.

Kondracke: What was his influence on Jack or relationship with Jack?

Lehrman: I think it was very strong. Jeff ran a campaign in 1978 against an incumbent liberal Republican where he advocated the gold standard, and Bob Mundell implored him not to do that, and still claims to this day that his advice was good because Jeff might have won had he not raised such an outlandishly unfashionable idea.

Kondracke: I thought the campaign with [William W. "Bill"] Bradley was about Kemp-Roth.

Lehrman: Well, that was an issue, but Jeff also—you're quite right. The tax issue was uppermost in Jeff's campaign of '78, as I recall, but he was unequivocal about raising the question of monetary stability and the stable purchasing power of the dollar, and referring directly to the classical gold standard and its restoration.

Kondracke: What about Bruce [R.] Bartlett?

Lehrman: I didn't know Bruce very well. Also very bright, very well informed.

Kondracke: He's become apostate on the issue of supply-side. He basically argues that supply-side was great for the period of stagflation, but that in the period of deflation that what you needed was Keynesian stimulus. Did you know what his migration was?

Lehrman: I don't. I didn't know, but it strikes me as a natural migration of a person not committed to the principles of public finance.

Kondracke: [Stephen J.] Steve Entin.

Lehrman: I didn't know him well.

Kondracke: Norman [B.] Ture.

Lehrman: I did know Norman. Norman, I think, wound up at The Heritage Foundation, where I was a trustee, and I'd been a trustee from very, very early days. Both very influential. Since this is so much linked to Jack Kemp, Jack Kemp paid attention to both of them. Jack had an enormous range of serious economic thinkers to whom he paid attention. Some of them would not have included themselves in the so-called supply-side group that met in New York with Bob Bartley, but every bit as influential in sort of the congressional Washington campaign for tax-rate reform.

Kondracke: It sounds as though there were two different seminars, one at the Lehrman Institute and the other in Jack Kemp's office or Jack Kemp's house, where it was a kind of a roving intellectual feast.

Lehrman: Yes, that's true, and I was much less of a rover than some of the people that I was aligned with. They lived in Washington. I was in New York. I was in business. They were full-time intellectual campaigning, not just political campaigning, but the combination of intellectual and political campaigning.

Kondracke: What about Kemp's congressional colleagues? Who did you regard as in touch with these ideas or as interested in them as Jack was?

Lehrman: It's long enough ago, Mort, that I'm sure to overlook very key people, but I'm sure you'll be able to remind me. [John V.] Vin Weber was one, and he was smart, effective, practical, and a supply-sider, and I think Jack paid a good deal of attention to him and cherished that alliance. Then the senator from Wisconsin, [Robert W.] Bob Kasten [Jr.], came a little later, but was also very good. There were lots of jokes about Senator [William V. "Bill"] Roth because in his adjustment to the idea of Kemp-Roth—I've forgotten. There were really funny stories about that whole subject and its discussion that I won't repeat because I can't remember them, but Senator Roth was certainly very important in the legislative campaign.

Kondracke: Where did [Newton L.] Newt Gingrich fit into all this?

Lehrman: Perhaps you remember when Newt arrived.

Kondracke: Seventy-eight.

Lehrman: And Jack arrived in—

Kondracke: Seventy.

Lehrman: So Jack was, so to speak, as Dean [G.] Acheson said, there at the creation, and Jack also had a very winning personality and a team-building style. Actually, Newt had a team-building style. Newt believed that if he was going to prevail, in the very few discussions I had with him, that we had to create what he came to call the opportunity society. I never knew the relationship between Newt and Jack, that is to say what the intimate relationship was on a day-to-day at the House floor or even at dinner, but I had the distinct impression that they were collaborators and that Newt accepted the fact that he was the junior in the supply-side movement, although considered a loyal lieutenant.

Kondracke: [C.] Trent Lott.

Lehrman: I liked Trent Lott. He was an all-around conservative. I know Jack enjoyed being with him, too.

Kondracke: Dick Cheney.

Lehrman: I remember meeting Dick. I don't recall him being an active supply-side ally in the House with Jack. I had met Dick Cheney, though, earlier than that, in 1971 and '72, when I was running a business, president of a small business that I wanted to grow rapidly, and we were operating in five states by that time. Richard [M.] Nixon suspended the convertibility of the dollar in August of '71, but what he did was he imposed the first peacetime wage and price controls in

American history, and I was running a business where there were 10,000 products from major manufacturers involved—

Kondracke: Rite Aid.

Lehrman: Yes, over a wide geography, and it made it impossible, impossible to run a business intelligently, not just for me, but I was sure for every small- and medium-sized business. Major businesses, they have all kinds of exemptions that they get, and they all even profit from barriers that are established by government.

So I went to Washington and sought an interview with the price and wage control czars, [Donald H.] Don Rumsfeld and Dick Cheney, and I met with them in the White House. I'm sure their calendars would have to show it even if they don't remember it. I told them we had absolutely no alternative to bring an action in federal district court for relief if we couldn't get relief by some ukase emanating from the Kremlin, ukase being the form of the Russian word. And they were wonderful. They were very gracious and everything, and yet they were unable to do anything, so I filed a complaint in federal district court in Scranton, Pennsylvania, and was given injunctive relief by the court.

Kondracke: Let's go to the Reagan era now. Did you have a connection with Ronald [W.] Reagan?

Lehrman: Well, I met him. I still remember when he was referred to, I think in a *New York Times* article, as a troglodyte in the early seventies in the contest with Ronald Reagan preceding the '76 convention. I knew [James A.] Jim Baker and I knew George [H.W.]

Bush. I went to school with George Bush's younger brother, William Henry Trotter, whom we called Bucky. Bucky was in my class at Yale. So I knew the Bushes.

Of course, I supported Reagan when he won the nomination, but I helped George Bush to get on the ballot or to raise money in New York State in 1980. I was torn. All of my friends were supporting Reagan, and ideologically they insisted that I belonged with Reagan from the beginning, but I was a personal friend of Bucky and [Jonathan J.] Johnny Bush and George Bush, and, as a result, when Johnny Bush asked me if I would help him raise money in New York State for George Bush's initial campaign fund, I did so.

Kondracke: Even though George Bush was calling Reaganomics "voodoo," and you believed in it?

Lehrman: Yes. Well, yes. I've been called worse names. [laughs]

One story that I think is an important story, George Bush invited me to a meeting in Kennebunkport in 1978 when he was deciding to run for President, and it was a meeting on economic policy. At that meeting were Walter [Arthur?] Burns, [Herbert] Herb Stein—I believe Herb Stein, from the University of Michigan. I can see him. All the people who had surrounded Nixon, the AEI [American Enterprise Institute] group, Burns, Herb Stein, Paul [W.] McCracken. They were all wise men, and I was the only young buck there.

The whole question of economic policy came up, and I made a very severe critique of the Nixon economic policy, and these men were its authors. So I think George, who knew me as a young buck, had mixed feelings. I mean, here was voodoo economics in the center of this group of beard-strokers who had taken America down a very difficult road in 1970, ’71, both at the Federal Reserve, in the case of Arthur Burns, and in the case of the advice that Nixon received with respect to monetary policy from all of them, from Nixon, [Paul A.] Volcker [Jr.]—reluctantly Volcker, but nevertheless on board—and Burns. So that was my experience in the early Bush campaign.

While Reagan was getting rolling, Jeff Bell was working for him. I maintained the ties of friendship right straight through until it was clear that Ronald Reagan was going to prevail, and then—

Kondracke: You weren’t part of the Wanniski-Laffer effort to try to get Kemp to run for President in ’80 as a device to get him selected as Vice President?

Lehrman: No.

Kondracke: You know about that?

Lehrman: Yes.

Kondracke: So then Kemp decides that he’s not going to run, but he signs on as some sort of policy chief, chief spokesman, the policy spokesman for the campaign, and has this meeting in Los Angeles with Reagan and the Reagan team, and brings out Wanniski and Laffer and all of them, and believes at that point that Reagan is a convert to at least the tax side of supply-side economics. Did you have any role in that, or did you know about it?

Lehrman: Oh, yes. Again, I would not take the time to do the kinds of things that were really important, which all these guys did, and, of course, I was appreciative that they did them. I talked with each one of them before the exercise, or not all of them, but some of them. I endorsed the exercise. I believe it was referred to as a boarding party.

Kondracke: So this is the Kemp idea, the supply-siders are boarding—

Lehrman: This is a boarding party.

Kondracke: —the ship.

Lehrman: The pirates boarding the ship.

Kondracke: Who called it the boarding party?

Lehrman: It became just commonplace that we referred to it as a boarding party. I remember picking it up and referring to it as the boarding party, and it was a successful boarding party, but largely because of Jack Kemp. It was Jack. It was Jack who could navigate with his friendliness, his enthusiasm. The problems of being sort of a controversialist in the way in which Jude was or the way in which Arthur at least was perceived, I mean, Milton Friedman was very close to Reagan, and Milton Friedman really made life very difficult for Art Laffer.

Kondracke: How so?

Lehrman: I forget when it was, but I bet you Jeff Bell can give you the date and the time. Certainly John Mueller can. Art Laffer gave a talk at the University of Chicago, where he was a junior faculty member on—could it have been monetary policy? And Milton Friedman got up to the podium and referred to Art Laffer as "Laughingstock Laffer." And in the world of the self-appointed illuminati of the academy, Art Laffer was made a laughingstock by Milton Friedman, who was, himself, an outstanding controversialist. I debated him in several conferences.

There were lots of monetary conferences during the seventies and the early eighties on the issue of a discretionary Federal Reserve monetary policy, or the euphemism was "rule-based," but, of course, that was the self-conscious way of expressing the view that we should have a dollar defined in law as a weight unit of gold.

In those days, in the seventies and eighties, the whole idea of bringing forward convertibility of the dollar to gold was considered impolitic, even by certain supply-siders, so different euphemisms were invented. "A dollar as good as gold," which was Jack's slogan. "Monetary reform." "A stable dollar." You'll find in the platform in 1980 "a stable dollar." Discipline on the Federal Reserve, which Jude rolled out because he wanted no discipline anywhere. He was spend, spend, elect, elect, he adopted from [Franklin D. Roosevelt] FDR. So it's only been in the last—

Kondracke: This is Milton Friedman because Milton Friedman was so influential—

Lehrman: Very.

Kondracke: —on Reagan.

Lehrman: Yes. The whole Hoover [Institution] gang was very influential, and Friedman, of course, had just won his Nobel Prize, I believe in 1974. If you ever saw him, he's very articulate. He writes very well. Truly ideologically committed to free markets, except in monetary policy his idea was the Federal Reserve could manipulate the quantity of money in circulation in order to produce stable—now, just a few years ago he gave up that idea. He said he would no longer espouse that idea. Basically, he said it didn't work.

Kondracke: So he became a convert to gold?

Lehrman: No, certainly not. In a book of his called *Dollars and Deficits*, he has an article on the gold standard, or several, and one of them says, yes, he would embrace a true gold standard, but he defines it in such a way that it's both narrow and impractical. It's a very short essay. If you picked up the book *Dollars and Deficits*, you'd see it. It reads well because he wrote well. Yes, it would have permitted a gold exchange standard.

Kondracke: When the boarding party landed, got onto the ship, did they advocate gold as well as Kemp-Roth?

Lehrman: I can't say, but I doubt it.

Kondracke: Because it was a—

Lehrman: Because I wasn't there, and there were lots of conversations both with the great man and in planning what to be said and who was to say it.

By the way, Jeff Bell is one of the master tacticians and strategists on who is to say and what is to be said. I've heard somebody refer to him as the Babe Ruth of policy politics. That is to say he swings for the fence, and he likes to see the ball sailing over the center field wall at Yankee Stadium, but you have occasional strikeouts with such a swing.

Kondracke: Let me go back to one other 1980 issue. That's the year that Kemp decided not to run for the U.S. Senate against Jacob Javits. Did you urge him to do that, to run?

Lehrman: I did not.

Kondracke: Do you know why he didn't?

Lehrman: No. On the whole, I was never deeply involved in—I don't know whether it was just respect for his privacy or what, but I never felt that I knew enough to advise him on political strategy. When it came to certain areas of economic policy, I felt very comfortable in pressing my point of view.

Kondracke: So my understanding is that Reagan used the phrase "dollar good as gold" very rarely in his campaign.

Lehrman: Yes, that's true.

Kondracke: What's your impression of what was in Reagan's head about monetary policy?

Lehrman: You've probably seen the ten-second spot that he did make.

Kondracke: I don't think so.

Lehrman: Oh, my goodness. You need to make a note. We have it on our website, on gold standard.

Kondracke: Yes, I've seen Reagan on your website, and I just didn't play it.

Lehrman: There's a ten-second spot that was made for the primaries, and it's been run by Fox, actually, a couple of times. Rich Danker, I think, also has it, the American Principles Project, and they have made it public.

Reagan was old enough to have remembered the early debates in the forties and the fifties about the consequences of Roosevelt's actions in appropriating privately-owned gold in 1934 and the executive orders that he used to terminate the gold standard, and then, of course, the great gold-clause litigation at the Supreme Court in 1936, so that when he came along, even though he came along as a Democrat in the forties, he remembered those debates and he knew that the dollar had lost 50 percent of its purchasing power from the time that he'd gone to work until in the early 1950s. So there were still a few leftovers who made the case for gold in the forties and fifties, and I don't know this intimately because I didn't discuss it with him, but he retained that memory, whereas by the 1960s, a new generation in the academy had completely left the issue behind. So he was receptive to the idea.

Now, I did discuss it with him, as I make clear in my book, in the White House during the meetings that I had with him, and he refers to several of our meetings in *The Reagan Diaries*. He was always interested in stabilizing the value of the dollar, and, to him, gold was an option, but he primarily took his advice from the consensus of advisors around him. On economic policy, on that matter, there's no question in my mind Milton Friedman was decisive.

Kondracke: Did you go to the '80 convention?

Lehrman: Did I go to the '80 convention? I was at the '84.

Kondracke: I know you were at '84, but did you go to '88, Detroit, where Reagan nominated?

Lehrman: No, but I had something to do with the '80 platform. There was a big piece that I did in *The Wall Street Journal* at Bob Bartley's request called "Stop the Battle for Reagan's Soul," and we were then lobbying, the platform committee, for not only the tax and regulatory position, but we were lobbying it for an article on stabilizing the value of the dollar. I can't remember the exact sentence that was insinuated in the platform, but I was involved in that.

Kondracke: I've read that article, "Stop the Battle for Reagan's Soul," and you talk about his various domestic advisors, some of them advocating Kemp-Roth and some of them advocating gold and some of them advocating rebuilding defense and balance the budget, and you conclude that we had to do all of them.

Lehrman: At the same time.

Kondracke: At the same time. Now, the question is, the other advisors were advising just pieces of this formula, so Kemp clearly was in the lead on Kemp-Roth, right?

Lehrman: Yes.

Kondracke: And besides you, who would have been arguing for gold?

Lehrman: Well, Jeff Bell would have, but he was not close-in. I mean he was not close-in at the time.

Kondracke: He did have a policy role.

Lehrman: He did, but he did not have direct access to Reagan. Jeff has got an excellent memory, and Jeff has been full-time at this every day of his life since he graduated from Columbia University and will have a much better memory on this. I do not believe there was anybody advocating close-in monetary convertibility.

Now, you have to remember also that the leadership of the campaign changed hands. Speaking of boarding parties, Jim Baker took over the White House and Jim really was—well, he even wrote an article in *The Wall Street Journal*—was it ten years ago, the article he wrote was that he opposed Reagan's tax program, even though it went through because of Reagan, and he was a recovering tax alcoholic or something like that. Jim was a very conventional, very smart, a very well-connected Republican, an enormously able guy, but he held all the conventional views of the establishment Republicans of the 1970s.

Kondracke: He was a Bushie.

Lehrman: Yes, he was. He was a very good friend of George senior. But he was educated. He had been to Princeton. He'd been to law school. He held the conventional ideas as if they were thought-through ideas and was skeptical of almost every initiative that Reagan wanted to take in economic policy.

Kondracke: So after the election, did you campaign for Reagan ultimately?

Lehrman: In '80?

Kondracke: Yes.

Lehrman: I did, but I never really did anything politically serious until 1981, when I filed in June to run for Governor of New York.

Kondracke: We'll get to that. So in November, right after the election, you wrote a series of memos, a couple of memos, which later were absorbed in David [A.] Stockman's "Dunkirk" memo.

Lehrman: Yes, I was asked to write those memos by Ed Meese and Pen James, and I gave them to a few of the close-in members of the supply-side group.

Kondracke: Who did you give them to?

Lehrman: I can't tell you exactly. I think probably Jeff Bell, Jack, John Mueller, and one of them landed in the hands of [Lawrence] Larry Kudlow, and he gave it to Dave Stockman, and Dave Stockman then rushed off a memo on similar subjects to Reagan.

At that time, as it turned out—I couldn't know that much because I wasn't in Washington—I was being interviewed as a possible candidate for Secretary of the Treasury, and [Walter B.] Walt Wriston was another, and [Donald T.] Don Regan was the third.

Kondracke: You were interviewed by who?

Lehrman: Pen James and Ed Meese.

Kondracke: Kemp was advocating you for Treasury Secretary, correct?

Lehrman: He was.

Kondracke: And do you know what his campaign for you involved?

Lehrman: I do not, but I know that Jack made it very public, his campaign, and that there were certain elements of the Reagan administration which resisted Jack.

Kondracke: Who was that?

Lehrman: I cannot tell you on good authority. I could guess, and I would prefer not to. I mean, one always tends to know or to guess about where the opponents are for things that are important, but I just don't know it.

Kondracke: But you got as far as the interview process.

Lehrman: I did, and it made *The New York Times* and the *New York Post* or all the newspapers that it was Wriston, Reagan, Don Regan, or Lehrman, and, of course, I *was* a young buck. I think I was forty-one or forty-two, and I was told after the appointments were made that they could only have one young man in the cabinet, and they chose Stockman for OMB [Office of Management and Budget].

Kondracke: You were also a candidate for Council of Economic Advisors chairman, correct?

Lehrman: It was written so. I cannot say for sure that that was the case. It was definitely written. Then it became the Federal Reserve board. These were articles that were in *The New York Times*, so somebody was leaking these.

Kondracke: What was Bob Novak touting you for?

Lehrman: Treasury.

Kondracke: Which came directly from Kemp.

Lehrman: Yes. Then, irony of ironies, they asked me if I wanted to be Ambassador to France. Of course, I had five little kids, and I wouldn't have wanted to do such a thing anyway, and my friend [Evan G.]

Vinny Galbraith got the appointment. Pen James was hired by Reagan to do the more systematic interviewing, and he's here in Connecticut. He knew a lot about that.

Kondracke: What is your opinion about David Stockman and his turn during the Reagan years?

Lehrman: I did not have an intimate knowledge of the politics of the time. I see David from time to time now because he's become a gold standard man, and he's come to talk about it and asked me for my work, and he's been inundated with it. He's in the midst of writing a book. I think it may even be called *Crony Capitalism*.

Kondracke: It is. We talked to him last week. But back in those days he was deemed to be apostate on the supply-side issue because he decided that Reaganomics was going to blow a hole in the budget, and you remember he talked to [William] Bill Greider of the *Atlantic Monthly*, the "Trojan horse" and all of that stuff. You must have—

Lehrman: Well, there were some personal indiscretions on his part, which young men commit innocently. Now that you mention it, David and I shared the view that the budget deficits do matter, and he, of course, was at the center of government at the time and I was just an outsider in New York, sort of *amicus curiae*. I would say that David and I were the only two guys who had an association with the supply-side movement who were deeply committed to disciplined budget policy. So I never was part of the gang that either in the press, the way Bob Novak would, criticized David for his focus on the budget. I thought it was indispensable.

Kondracke: So did you talk to him? Did you know him?

Lehrman: Yes.

Kondracke: And how did Kemp react to his claim that Kemp-Roth was a Trojan horse for trickle-down economics?

Lehrman: I can't say that I remember. I certainly must have discussed it with Jack, but I don't remember.

Kondracke: Let me run through some people in the Reagan administration and ask you what they thought about Kemp and Kemp's ideas. Ronald Reagan himself.

Lehrman: I think when I was with President Reagan and Jack's name would come up, he would always smile. Now, that's not uncommon for President Reagan. He had a perfect temperament. I think he viewed Jack as a senior cheerleader, ally, leader in the House. I think he was well aware that he was surrounded in the early years or even in the later years with cabinet officers who did not take Jack as seriously as they should have, but I believe he did take Jack very seriously.

Kondracke: And he did not resent it, or did he resent it when Jack opposed him on the tax increases that followed the 1981 tax cuts?

Lehrman: I cannot say with any authority, but knowing Reagan as I knew him, which was not intimately, I think he accommodated himself to the necessary interests that different politicians have in different positions, even when, on the whole, they're allies.

Kondracke: Don Regan.

Lehrman: Don I knew well. Don was the head of Merrill Lynch when I took my company public. He had a dinner for me. Merrill Lynch was one of the bulge bracket underwriters. That was in 1968, so I knew Don from the sixties. He was a good Marine. He was the son-in-law of [Robert A.] Bob Magowan, [Charles E.] Charlie Merrill's son-in-law, and he came into Merrill Lynch well sponsored by Charlie Merrill, who founded Merrill Lynch. He was a disciplined executive. It was a boom period. I have to say that almost any brokerage firm would have done well in the sixties.

He was never interested in public policy. If you read his memoir, he says that, "I almost hired Lew Lehrman as the Deputy Secretary, but I thought he was too smart." You should look at it. He's very, very candid. "I thought he was too smart, and he would have his own policies, and I didn't think I could really handle him."

I remember talking to him and saying, "Don."

So somebody had pressed him to hire me as Deputy Secretary of the Treasury, and he had given it some thought, decided not to do it on grounds, I presume, he honestly wrote about in his autobiography. So he was not a policy guy. I met with Don Regan a lot. He was very open to my thoughts, and I sent him my research. He was an implementer, not a policy man.

Kondracke: What did he think about Kemp?

Lehrman: I think he had the attitude toward Jack Kemp that a lot of hardheaded businessmen have or had. He was just a man of ideas. He was running a business. Self-appointed successful executives of business are very often dismissive of politicians and intellectual politicians. Hardheaded men, you know, are cynical. They don't have ideas to change the world. I would have to say that Don Regan, on the whole, saw himself as a hardheaded businessman, where ideas don't count.

Kondracke: Did he ever say anything about Kemp?

Lehrman: Not that I can remember.

Kondracke: Do you regard Jack Kemp as an intellectual?

Lehrman: I do.

Kondracke: What about Jim Baker?

Lehrman: Jim is very, very smart, well educated, well born, well fixed in the universe of Washington, like [Robert S.] Bob Strauss. The two of them governed the press together and collaborated to do so. Jim counted delegates for Gerald [R.] Ford [Jr.]. I mean, Jim knew the political machinery inside and out, combined it with a fine brain, and an enormously shrewd operator. Was he interested in ideas? No. Somehow through law school from Princeton [sic] he focused on becoming an accomplished professional and never really embraced a set of views that were outside the consensus.

Kondracke: And what did he think about Kemp?

Lehrman: I think that he thought Jack was outside the consensus, and therefore a bit dangerous.

Kondracke: Did he ever say anything to you about it?

Lehrman: I would have to believe I saw Jim enough that he might have said something, but I cannot say with any certainty.

Kondracke: When Kemp went off the reservation in ’82 and ’83 on taxes, there were stories leaked, no names attached, that Kemp was doing this for his own political aggrandizement. Ed Meese thinks that it was Baker and [Richard D. “Dick”] Darman who leaked that. Any thoughts on that subject?

Lehrman: I would trust Ed Meese. I worked for Ed Meese at Citizens for America just as the honorary chairman. That was not a key position, but I would see Ed a good deal. When I would report in, I would report into his office at the West Wing. So I don’t think I can add a thing to Ed Meese. I would bet a considerable part of what’s left of my savings that Ed Meese knows exactly that Dick Darman and Jim Baker had their fingerprints on it.

Kondracke: Now, you have the impression Darman actually had some sort of contempt for Kemp and his ideas.

Lehrman: I think so.

Kondracke: What was that based on?

Lehrman: I think he thought he was a man of ideas, and he most manifestly was not. He, too, had an education, which the self-appointed think themselves qualified to speak of the consensus as if there's something original in it. Dick took his position of power as a place where he would make judgment about people and their ideas, whereas I think Jim Baker was, on the whole, just a very practical guy. I don't think the power went to his head. I saw Dick Darman a good deal and I had a fine relationship with him. Indeed, he was the one who arranged the appointments every time that I visited with the President. But he had a high esteem for his own points of view.

Kondracke: Was Martin [S.] Feldstein around?

Lehrman: I never saw Martin Feldstein in the Washington scene, but he was around. He definitely was, representing the—

Kondracke: You know what he thought about Kemp? And what was his attitude toward your agenda?

Lehrman: I shouldn't say anything. I knew then in discussions occasionally with him that he had attitudes, but I just don't recollect the interactions. I viewed him as the representative of the National Bureau of Economic Research and the establishment economic team, a very smart, well-educated fellow, but never outside the consensus, the consensus of sort of—

Kondracke: Conventional Republican?

Lehrman: Exactly.

Kondracke: Balanced budgets, but—

Lehrman: Not too serious about a balanced budget, especially when Reagan was in office, not too serious, easily influenced, I think, by the political winds that were preoccupying the Republican Party.

Kondracke: What about Paul [A.] Volcker [Jr.]?

Lehrman: I knew Paul. I was in Paul's office in 1980 during the very day that he was dealing with the collapse of the financial markets under the [Nelson B. and William H.] Hunt effort to corner the gold and silver market. I remember it was March of 1980. So I knew him. He read my work, and I always sent it to him. When I first met him I can't recollect. Could it have been as early as when he was Undersecretary for Monetary Affairs under Nixon? It could have been. And occasionally we had lunch. We occasionally would meet at similar places and talk about economic policy.

Kondracke: Did he have an opinion about Kemp?

Lehrman: I'm sure he did. I can't tell you what it was.

Kondracke: What was his opinion about gold?

Lehrman: He was caught up in the Robert [V.] Roosa—who was the Undersecretary for Monetary Affairs under Kennedy and Johnson. He was a young man at that time. He had come as a lowly vice president of Chase [Manhattan Bank] into the government, and he was caught up in the consensus thinking of the time. He was at Camp David for the meeting that led to the suspension of convertibility, the position of price and wage controls, and a 10 percent devaluation of the dollar, but at that particular meeting I think he showed where he truly was.

He doubted the wisdom of the move, but he did not have a comprehensive, well-worked-out view of what the alternative was, and it's not so much that he rejected gold or even the gold exchange system of Bretton Woods. It's that he did not have a conviction about why it could work if it were reformed in a way whereby it was not destroyed. That was the impression I always had of him all the way through, just not a great deal of conviction in leading monetary reform, but a certain amount of conviction in putting the interest rates up to 21 and a half percent and taking us through—

Kondracke: Somebody quoted him as saying that when he was Fed chairman, that he actually followed gold, that he somehow paid attention to what the price of gold was in guiding his activities.

Lehrman: I think that was a Wanniski conceit. It may have been true.

Kondracke: You don't know it for a fact?

Lehrman: Indeed, I doubt it.

Kondracke: You doubt it. Okay. So why does Regan never go for gold?

Lehrman: My explanation has always been that he had so much that he was physically capable of doing. I mean, he was a man well over seventy as he got into the best years of the presidency. He was able to get a first tax reform through. He was able, with [Caspar W.] Cap Weinberger, to put through these budget-busting budgets.

Kondracke: Defense budgets.

Lehrman: Yes, with 7 percent of GDP [Gross Domestic Product]. It was really something that was entirely inconsistent with what he had campaigned on, a balanced budget. He had the four-legged platform: a balanced budget, monetary stability, tax-rate reduction, deregulation. He dealt successfully with the [air traffic] controllers. He got a first tax reform through, started focusing on the second tax reform, a more comprehensive tax reform, which took another five years to get done. He was totally focused on—I'm telling you stuff that you know better than I do. He was totally focused on the Russians. (A), it was in a bad odor, monetary reform, among many of his key advisors who were peers age-wise of his, and it seemed to him less important. And by the way, things were going very, very well, indeed. They appeared to be going very, very well.

Kondracke: So how does the Gold Commission get hatched, which you were on?

Lehrman: I was on.

Kondracke: Was this a way of dealing with the gold issue? It was congressionally created, right?

Lehrman: Yes, with the President making the appointments in collaboration, I guess, with—

Kondracke: But how did it get hatched, then? Was this a way of patting the gold bugs on the head, or what was it?

Lehrman: I can't tell you. All I know is I got a call saying, "The President is appointing you to the Gold Commission," and I attended every meeting, and I took on the twenty—there were twenty-two members. Anna [J.] Schwartz was plugged in as the executive director. It clearly gives the impression that it was rigged from the beginning.

Kondracke: By?

Lehrman: Well, she's a Friedmaniac. She's a first-class Friedmaniac, very capable, very smart, good scholar, but she was Milton Friedman's partner. She was the executive director, and there were all kinds of big-shots on it, like George [P.] Shultz, who was also a Friedmaniac, completely intimidated by Milton Friedman on economic policy, monetary policy, although I had a great relationship with George. I used to visit him at the State Department. He would say, "Okay, Lew, you believe in free prices except for free prices of money."

And I said, "George, let's go somewhere else."

So that commission met and there were good debates.

Kondracke: Just theoretically, what is your answer to that objection? In other words, the Friedmanites claim that you created a free market in money and that everything would adjust itself by the market, but you want to fix the value of the dollar to a price of gold, and theoretically, if, for example, the economy grows faster than the supply of gold, then it would have a deflationary effect, wouldn't it?

Lehrman: Yes, in the hypothetical. Probably not, but one can accommodate that. The problem is, Mort, that money is not another article of wealth in the market. It is the standard of value by which all other articles of wealth are exchanged in the market, and it's the standard of value which enables people who are even at war with one another to trade with one another when there's a common standard, whereas when money becomes manipulated in its value, it is no longer a standard by which all other articles of wealth are measured. So the key is not just the definition, but the way in which you see the development of all commercial history over three to four thousand years.

Money in whatever its form, even if it's a seashell, is the standard. It's the standard of value by which two men, sometimes uncivilized men, or I should say Indian tribes and Puritans arriving on the shore, exchange other articles of wealth. Once it becomes an article of wealth subject to the monopoly power of the government, it ceases to be the standard of value, and the whole purpose of investment fails as a result of everybody looking for almost any kind of vehicle by which to save money, whether it's antiques, whether it's other metals, whether it's oil, and a vast resource of investment is lost because the standard of value, the store of value, function of money is completely lost.

There are trillions of dollars hidden away, as it were, or I should say stored away, in vehicles today, whereas if the monetary token were restored as a standard of value, gold having been the historic best standard, we're talking about trillions of dollars, which would leave farmland investing, antiques, Picasso paintings, all of the vehicles that all of Wall Street, all of the world have attempted to identify as substitutes for the store of value, standard of value purpose that was served by gold. So it's a trick of words that Milton and George used.

Kondracke: So if you were making that argument to Milton Friedman, what would he say?

Lehrman: Well, he says in his *Dollars and Deficits* that I'm right, so long as you have a true gold standard.

Kondracke: He ultimately comes around to it.

Lehrman: No. He says that, but, of course, he essentially points out that this is impractical. This is not what the gold-standard people—that's why I wrote this bloody book. This is not what the gold-standard people want. They want a gold exchange system. And he was right. The Americans and the British wanted a Bretton Woods system based upon the dollar, sterling if they could, not on a clearing system whereby there was a common monetary standard for the purposes of international exchanges so it was a level playing field so there would be no ability of any one country to depreciate its currency in order to export unemployment to another country because of an undervalued currency. That's the consequence of floating exchange rates when you use improper language to characterize floating exchange rates as free prices.

Kondracke: Okay, but if you were having a debate with Milton Friedman and you made your argument that we need to have a firm standard, a solid standard, he would say to you what?

Lehrman: He would say, "So long, Lew, as you are prepared to inaugurate a monetary system based upon the true gold standard," that is to say where gold is money, is exchanged as money.

Kondracke: It would be under your system.

Lehrman: It would.

Kondracke: So?

Lehrman: That's why I no longer use any euphemisms. In the seventies I allowed Jude and Bob Mundell to convince me we have to use euphemisms like "monetary reform" or "a dollar as good as gold" or any of these other euphemisms that were invented to placate the self-appointed cognoscenti. I don't do that anymore. I put that right in my title.

Kondracke: In 1982 you run for Governor of New York. Did Kemp support you?

Lehrman: He did. He campaigned with me one day in upstate New York.

Kondracke: Did you think that that was enough?

Lehrman: There were people who didn't think it was enough, and I sincerely figured that he was very busy in Washington. This was the early days of the Reagan administration. I was grateful that he did the whole day, and he was very encouraging.

Kondracke: So it didn't create any tension between you?

Lehrman: None. I think there were people who tried to create tension, but to the best of my knowledge, he felt none, nor did I.

Kondracke: So 1983 you formed Citizens for America.

Lehrman: No, Reagan formed it. Reagan, [Jacquelin H.] Jack Hume formed it and asked me to be the chairman.

Kondracke: You ultimately had 200 organizations in 230-odd congressional districts in thirty-two states and all that, and some people thought that this was your vehicle to run for President in 1988.

Lehrman: I wish I had that picture of Jack Hume in here. Took me in to see Reagan. There it is. That's Jack Hume.

Kondracke: I don't know who Jack Hume is.

Lehrman: Jack Hume was a key member of the Kitchen Cabinet for San Francisco. He bought Nancy her dresses when Reagan couldn't afford it. Very, very strong guy, very powerful set of inner-directed motives, all, on the whole, very good, but he was an impressive man. Must have been thirty years older than I.

So I said, "Yes, I'll do it." I only did it part-time because I was working a business here in New York and flying down to Washington. Maybe I was there two days a week.

Can we conclude with this section, then go on? Because I don't know that I can stay that much longer. I didn't know we were going to spend more than two hours.

Kondracke: Yes, just one second.

[recorder turned off]

Kondracke: Citizens for America was viewed by some as a vehicle for you to run for President.

Lehrman: Yes, I read that. I read those stories too.

Kondracke: Was it ever, in your mind?

Lehrman: Well, I certainly viewed everything that I was doing for Reagan. I mean, it was known as Reagan's Civic League or Reagan's Congressional District Organization. I knew that I was being judged by what I could do to advance the Reagan agenda. That's everything we did. If you were to look at all the documents that were being written—and we put out position papers every week, several of them—they were all Reagan agenda. There was no particular personal agenda ever exhibited.

Now, there were some people who worked in the enterprise who had agendas, no question about it. There was a succession of executive directors, most of them chosen by Jeff Bell. He'd be a much better source on what their thoughts were. Yes, because I had a pretty good campaign from standing start, zero name recognition in late '81 and early '82, and almost beat Mario [M. Cuomo], I was considered a political candidate. But by 1985 I made it clear I was no political candidate. I was not going to run for reelection in New York.

Kondracke: Did Jack Kemp ever feel competitive with you?

Lehrman: I was told that was so. Jack never talked to me in such a way that I felt that he thought that. It was plausible because I'd run a reasonably successful campaign in New York, and, like him, I was a supply-sider and we were together, and guys like Bob Novak would write very laudatory articles about both of us, but I never felt myself competitive with him, and he never, ever gave me an impression that he thought me poaching on his territory.

Kondracke: And you supported him for President in 1988.

Lehrman: I surely did. There I was more active.

Kondracke: And why do you think he didn't make it?

Lehrman: Whatever Jeff Bell says about that I would agree with. I don't want to give you just a lot of words. I'd like what I say to have been a well-recollected analysis of what happened then, but I can't do that.

Kondracke: Do you think he would have made a good president?

Lehrman: I think he would have made a good president.

Kondracke: Why?

Lehrman: I think he had been around long enough to know that he had to surround himself with good people who could get things done. Jack was an evangelist. He had thought through the positions he believed in. What he would have needed were people who agreed with him substantially and knew how to kick ass and take names.

Kondracke: And you would have been his Treasury Secretary.

Lehrman: We would have kicked ass and taken names.

Kondracke: Okay, last question for now. How do you think Jack Kemp should be remembered in history?

Lehrman: Well, first, as a very, very good man, deeply committed to his wife, his children. I think he should be remembered the way he thought of himself, as an unequivocal patriot, not a screaming eagle, but an authentic patriot who loved his country because it was his own country, but more especially because it was a free country. Yes, that's the way I think he should be remembered first, and then, of course, as a really remarkable innovator, yes, a guy who knew the entrepreneurial tradition in business and, I think, self-consciously imitated it in politics, and as a great football player. He's a very, very rare combination, and he's bequeathed to us a great family that is helping to carry on the tradition.

Kondracke: Thank you very much for doing this.

Lehrman: You're very welcome, Mort. Gosh, I've watched you on television for so many years.

[End of interview]