

MEMORANDUM

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THE WHITE HOUSE  
WASHINGTON

25  
10:30 p.m., Monday  
July 18, 1966

MEMORANDUM FOR THE PRESIDENT

FROM: Tom Johnson

Attached are my notes from this afternoon's meeting with the bi-partisan leadership.

Are they appropriate?

Yes ☒ \_\_\_\_\_

No \_\_\_\_\_

Do you wish for me to continue this in your session ~~today~~ *tomorrow*?

Yes ☒ \_\_\_\_\_

No \_\_\_\_\_

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MEMORANDUM

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THE WHITE HOUSE  
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10:30 p.m., Monday  
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CONFIDENTIAL

MEMORANDUM TO THE PRESIDENT

FROM: Tom Johnson

Minutes of the Meeting between the President and the Bi-Partisan  
Leaders of the House and Senate

THE PRESIDENT: I called you in today to counsel and to review the  
fiscal problems which are giving me great concern. I do this for two  
reasons. The first is to get your advice and judgment. The second is  
to find areas where we agree and in which we could get your help.

This morning I met with my Labor Management Advisory Committee.  
We discussed the wage price guidelines, the airline strike, and price  
increases in different industries.

I don't know what the 1967 budget will be because of Congressional  
add-ons and Defense add-ons. We could have a surplus if the war  
ended in June. If it doesn't end, then we must plan for additional expendi-  
tures. If it doesn't end, I don't know how to guess it. We have 300  
thousand men out there. General Westmoreland has received all that  
he has asked for. He'll ask for more. And if he does, we'll send what-  
ever he needs.

The Defense add-on will probably be between 5 and 10 billion. But  
don't say that I'm a McNamara. It might be as low as 3 billion, and it

Determined to be an  
administrative marking

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may go as high as 12 billion. We'll ask for all we need for Defense purposes.

I'm proud of our budget record. There has not been much partisanship on the budget. The budget expenditures have been less than your President promised you. During the past three years expenditures have been less than we had estimated in the budget.

I am concerned by a report from my Budget Director that Congress could add \$5 to 6 billion to the budget this year. There have been add-ons in the GI pay raise, in the Library Bill, in the Civilian Pay Raise Bill, in the Elementary and Secondary Education Bill, and even in the Coast Guard authorizations.

The Senate Appropriation Committee has added an extra \$2 billion on the Elementary and Secondary Education Bill alone.

There have been add-ons in the Agriculture Bill, in Water Pollution, in interest on the public debt and Defense appropriations.

We are trying to make a big dent in that 5 to 6 billion add-on and I want your cooperation.

The consumer price index on farm commodities has gone up .9 of one percent. Prices on processed food has gone up .6 of one percent. My advisors tell me that the wholesale price index will go up sharply next month.

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All of this should be of great concern to all of us.

Crude materials such as copper and hides went up. Intermediate materials went up. These include aluminum, steel, and cotton -- which all went up.

Consumer durables went up .5% in the first half of this year. On the labor front the airlines don't want to come close to the guidelines. Four out of five of the union negotiators wanted a strike and there was nothing we could do to stop it.

General Electric faces a big demand in negotiations in September. I have talked with leading businessmen such as Mr. Murphy of Campbell Soup. I have talked with Mr. Abel of the steel workers, with Walter Reuther and with George Meany. I have talked with all of them.

They are concerned about inflation. But they all want to criticize you in the way you try to handle inflation.

The pay raise for government employees will be an incentive for private industry to have pay raises. This may cause a flare-up.

But I guess we'll have to sign it because it is within the guidelines.

I would like to meet you halfway. You see the problem that we are up against.

I have cut expenditures within the Executive Branch by squeezing every department. Our non-defense expenditures are \$600 million less than estimated. The Defense budget is up by 6 to 7 billion dollars but revenues are up \$10 billion.

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You could say that the budget for next year looks astronomical if we let these add-ons and other things get out of hand. You must practice fiscal responsibility.

(At this point Senator Mansfield and Secretary Fowler departed.)

CONGRESSMAN FORD: Mr. President, if we had any signs of strength, any signs of unity, I would have been glad to go along to reduce the cost of these bills.

But the die was cast.

On poverty we'll try to help. We sure won't add to it.

Generally, you could highlight this very bad situation by vetoing some bill. It could be the HEW Bill or the Agriculture Bill or one of the others. But it would put all of us on the spot.

THE PRESIDENT: I don't want to make Congress look bad. I want a reasonable proposition. We want some fiscal responsibility. If I have to, I'll try the veto. Very confidentially, the Council of Economic Advisers wants me to veto this Civilian Pay Raise Bill but it's within the guidelines so I don't see how I can.

CONGRESSMAN ALBERT: If you veto a bill, Mr. President, you really should put a lot of thought into it. It gets into discriminatory politics.

(The President read Gardner Ackley's letter on fiscal policies. It suggested a veto or a Message to Congress.)

THE PRESIDENT: reiterated: I want to go more than halfway to meet you on fiscal responsibility.

SENATOR DIRKSEN: You can't win on a veto in an election year. There are too many sacred cows. For example, school lunches and the school milk program.

You would have a hard time getting a veto sustained. A veto would aggravate the situation. You also forgot to mention that the Cold War GI Bill will exceed \$290 million.

SPEAKER MCCORMACK: The GI Bill may be in excess of \$600 million.

SENATOR DIRKSEN: So up and up they go. There will be those sacred cows but I think we can work out some language which will be in your interest and will be in the national interest to reduce these expenditures.

THE PRESIDENT: What do you think about this? I will tell the Secretary of Commerce to tell those people in the states that I am going to hold back 15 % of that \$4 to \$5 billion they are spending on roads. This would be \$450 million, and it would give those boys in Vietnam something to which they could return for work after Vietnam. I could hold back 15% to save a little money.

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SENATOR DIRKSEN: What you have suggested is about the same thing I would advise you to do -- defer some of these expenditures.

THE PRESIDENT: I am advised that \$23 billion in non-defense expenditures is controllable. We made a percentage reduction in each of the controllable areas. The total should not exceed that recommended in the President's budget.

What is wrong with this, however, is that the President must decide which project must be postponed. If Congress would face up to this itself, we could do something about it. We could try to reduce expenditures together.

CONGRESSMAN BOGGS: It would be impossible for you, Mr. President, to decide on these projects yourself.

THE PRESIDENT: Well, it looks as though I may have to. I asked you for a \$113 billion. You send me \$120 billion.

CONGRESSMAN ALBERT: Mr. President, we will try to get the boys to go along.

THE SPEAKER: It will be tough.

SENATOR KEUCHEL: I think all the leaders would be for holding down expenditures. But some, and I may as well name names, such as Senator Proxmire will want to add on regardless. I think you should

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bring in the senior members of the Appropriations Committees and give them the facts just as you have given them to us.

THE PRESIDENT: My advisers tell me there are three ways to hold down inflation. The first is a tax bill; the second is to cut expenditures; and the third is controls.

I'll see the Appropriations Committee if you think it will do any good.

CONGRESSMAN ARENDS: I think it would be good to get the members of the Appropriations Committees into the White House. It is their country as much as it's ours.

The President then told the bi-partisan leaders that he would have the members of the Committees in the White House on Tuesday. He instructed Bill Moyers to release the statement on the Civilian Pay Raise Bill and the fact that he had signed it. He then gave the Congressmen a report on the situation in Vietnam. The report shows that Viet Cong morale had been lowered by U. S. successes. The Viet Cong are recruiting teenagers 12 to 16. There have been reductions in food rations in each unit. U. S. Forces have broken their transportation system. The Viet Cong have lost popular support. The Viet Cong exploit dissension in the United States.