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AUGUST 9, 1967 - 9:02 a.m.

Democratic Congressmen

SERVICE

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 9, 1967

2:45 p. m.

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FOR THE PRESIDENT

FROM: ^{Tom} Tom Johnson

Attached are the notes of your meeting with Democratic
Congressmen on August 9, 1967 in the State Dining Room.

The meeting began at 9:02. The meeting ended at 10:25 a.m.

Attachment.

PETERSON TO DO ANY
ADMINISTRATIVE MARKING.

BY DCH ON 3-11-82

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MEETING NOTES
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Meeting began: 9:02 am
Meeting ended: 10:25 am

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NOTES OF THE PRESIDENT'S MEETING
WITH

DEMOCRATIC CONGRESSMEN

in the
State Dining Room

August 9, 1967

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The President reviewed with the members of Congress the calculations which pointed to a potential \$29 billion deficit. The President urged the Congress to pass a civilian pay measure without the additional \$1 billion add-on. The President also pointed to the need for Congressional approval for the \$2 billion in sales of participation certificates.

The President said that it is unwise to consider borrowing all of the \$29 billion or taxing all of the \$2 billion. The best solution is to borrow 50%, cut 25% and tax 25%.

The President said he was not asking for any commitment. "I just want to show you the problem."

Congressman Richard D. McCarthy (29th District, New York) said that the riots, the tax message, and the war in Vietnam all indicated to him that Democrats are in for trouble next year. He said the people are focusing on the war; that some new initiative is needed such as taking the issue to the United Nations or end the bombing.

The President said that the Congressman's analysis was correct. "I work every day to take new initiatives. The simple facts are that we are fighting North Vietnam. China is supplying North Vietnam. Neither is a member of the United Nations. I can't get them to the U.N. Neither can Mansfield or U Thant. We are there. We don't want to run out. We want the maximum deterrent at minimum cost. Ho doesn't want to talk. He wants to break our will at home as he did in Paris.

"We have told them that we are willing to stop the bombing if they will not use that pause to their advantage. I spent three hours yesterday trying to find new alternatives. It seems like all of the proposals to stop the bombing are to us, not to the ones who are really responsible for the war. Unless and until Hanoi is ready you can't put the onus of surrender on the leaders of the United States.

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"Westmoreland said that it took two years to build a logistical base. He wants 45,000 men. Also, the South Vietnamese will supply 65,000 men. We know that the people of this country are frustrated about the war. Two years is a long time. 10,000 men have been killed and 10,000 have been seriously wounded."

Representative Sam Gibbons (6th District, Florida) said it's the \$7.4 billion tax bill that worries him. He said there are serious inequities in the tax system including oil depletion and tax-free foundations. He said he would not support the tax bill without reforms.

President: My judgment is that we are ready to submit tax reforms as soon as the Congress acts on the tax bill. The Ways and Means Committee said it wants to consider the matters separately. We do not want to waste time debating this matter while the tax increase waits.

Representative Joseph P. Vigorito (24th District, Pennsylvania) said it was his opinion that "most congressmen have voted for the expenditures. Now they want a pay bill. I believe we should be prepared to pay our expenses as we go along. For that reason, I support the tax increase."

Representative Joe D. Waggoner (4th District, Louisiana) said he had heard from Senator Aiken yesterday that we really were only asking for half what will actually be needed on a tax increase.

President: I have no idea what Senator Aiken is talking about. Neither does Secretary Fowler. It is not true.

Representative Claude Perrer (11th District, Florida) wanted to get an indication on the percentage increases as a result of previous wars.

Secretary Fowler said that individual taxes went up during the Korean War by 3 1/2% while we are only asking an average percentage increase of 1% in this tax message.

Secretary Fowler: If we do not tax part of it, we'll have to borrow it. It is as simple as that. We believe that interest rates would soar if the \$29 billion had to be borrowed. It would be cruel and unjust to borrow all of it.

Representative Don Fuqua (2nd District, Florida) asked how would revenues be affected by this increase, in light of the earlier statement that a tax reduction would stimulate greater revenues.

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Gardner Ackley answered by saying that in 1964 the economy was very slow and that a reduction actually sped up the economy and added to revenues. But now there are signs that the economy is moving very well, and a tax hike will produce added revenue.

Representative Lester Wolff (3rd District, New York) says nobody sees the light at the end of the tunnel in Vietnam. "We are the victims of a poor public relations program." He pointed out the charge by Representative Ford that we are not using our strategic bombing effectively in the north.

President: "We are taking out half of the infiltration with our bombing, some reports show. We are reducing infiltration, but we haven't stopped it.

"I am not going to do what Ford says, because we would be in a war with China tonight if we did. Much as we want it, there is no easy way out. Since 1966, I have been trying to get Hanoi to the U.N."

Representative J.J. (Jake) Pickle (10th District, Texas): We have nothing to apologize for in Vietnam. The tax message does come at a bad time, but we have to do it. We have to measure up to our responsibilities.

Representative Herbert Tenzer (5th District, New York): I would like to know what we are going to do about the tax loopholes and people, millionaires, in this country who pay no tax at all. I urge that you appoint a commission to study the tax structure.

President: We're ready to make our recommendations as soon as action is taken on the tax bill.

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