

MARCH 20, 1968 - 2:52 p.m.

88

MEETING ON FISCAL POLICY DISCUSSION

The President	Ernest Goldstein
Secretary Fowler	Charles Zwick
McGeorge Bundy	Tom Johnson
William McChesney Martin	
Arthur Okun	
Ed Freid	

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 21, 1968

8 p.m.

FOR THE PRESIDENT

Tom

FROM: Tom Johnson

Attached are the notes of your meeting on fiscal policy on March 20, 1968, in the mansion.

Those attending the meeting were:

The President
Secretary Fowler
McGeorge Bundy
William McChesney Martin
Arthur Okun
Ed Freid
Ernest Goldstein
Charles Zwick
Tom Johnson

The meeting began at 2:52 p.m. The meeting ended at 3:55 p.m.

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NOTES OF THE PRESIDENT'S MEETING
WITH HIS FISCAL ADVISERS

March 20, 1968

THE PRESIDENT: The new program in Vietnam will cost \$8.6 billion. I want to hear your views before I make a decision on the new Vietnam program.

SECRETARY FOWLER: I have three comments: (1) The iron is hot. We will have to hit hard to try to get decisive action in the House and Senate this week.

The iron is hot in the wake of the last couple of weeks. But reassurance will begin to set in. The sense of urgency will dissipate.

(2) I would go as fast as I could for the Senate amendment to the Tax Adjustment Act.

(3) I would have it presented not by Smathers and Williams, but by the leaders of the Senate Appropriations Committee: Senators Hayden and Young. I would talk to Congressmen Mills, Mahon, Byrnes and Bow.

THE PRESIDENT: I do not believe you could get anything. Tell them for eight months your proposals have been up. The Democratic leadership has been unable to muster 160 to 180 House votes. You are now forced to deal with the devil.

The Democratic House members have been largely unhelpful.

I think we must have a substantial block of GOP votes in both houses.

THE PRESIDENT: What will we lose if we go to endorsing what Williams proposes? In looking at it, you will get conservative Republicans and Southern Democrats. We can't get this in an election year, if we support Williams.

(At this point McGeorge Bundy entered the meeting.)

THE PRESIDENT: What is the proposition?

SECRETARY FOWLER: The "10-10-5 proposal." It is acceptable to Smathers.

\$10 billion tax bill
\$10 billion reduction in obligations
\$ 5 billion reduction in expenses.

THE PRESIDENT: I could live with that.

SECRETARY FOWLER: On the Finance Committee things line up this way:

Democrats:

Senator Long	against
Senator Smathers	for
Senator Anderson	for
Senator Gore	for
Senator McCarthy	against
Senator Talmadge	against
Senator Hartke	against
Senator Fulbright	against
Senator Harris	for
Senator Metcalf	for

There will be five Republicans for a tax bill.

On the floor, a tax bill is related to the Vietnamese addition. I see a sharp loss in the Democratic votes. The reason is the same as that given by Church or Proxmire -- economically they don't agree.

They must have a national unity package. I would present this as a bipartisan bill to restore confidence in the dollar.

THE PRESIDENT: What makes you think the GOP will go for it?

SECRETARY FOWLER: Will the House side stand on the House perogatives or agree not to block it on procedural grounds? The procedure of the House is ill-adapted.

From the House side, the House is well aware the Senate will not do anything on specific cuts -- they will only do it across the board.

CHARLES ZWICK: Mahon thinks it would be good if the Senate would tack it on.

SECRETARY FOWLER: Last night he was more difficult.

One vote in the Conference report is more feasible than anything in the House vote.

SECRETARY FOWLER: They were talking big figures.

THE PRESIDENT: \$20 billion.

SECRETARY FOWLER: Representative Mills has become a tax hawk. He thinks 10-10-5 is too little. He wants more to reduce the deficit.

He would like to bring the deficit below \$10 billion. He would accept a bigger tax increase.

THE PRESIDENT: I sure would accept a bigger tax bill too.

SECRETARY FOWLER: I would

MR. MARTIN: I would

CHARLES ZWICK: You can over-do a good thing.

ARTHUR OKUN: The January budget program makes sense. 10% is still the right figure. A few billion dollars will not make a big difference, but you can over-do it. The 10-10-5 is a good. The Federal Reserve must play it cautiously.

MR. MARTIN: With the added amount, with the rest of the monetary policy, the economy can take it.

THE PRESIDENT: We need to find out two or three things. We've got to have a tax bill.

- (1) See if Dirksen will take this, and how many he can take.
- (2) See what Mahon can do with Williams
- (3) See what Mansfield can do
- (4) See what Mahon-Mills, and the Speaker think about it -- also Congressman Albert.

SECRETARY FOWLER: Do you want me to see Senator Dirksen?

THE PRESIDENT: Yes. Tell him everybody who has a dollar will be in danger. Ask Mansfield the same thing. I haven't talked to them. My hunch is that a Senate which would increase your budget \$200 million will not be strong for John Williams.

SECRETARY FOWLER: They are against us in specific items, but are for spending cuts generally.

SECRETARY FOWLER: Mills and others on the House side think the surcharge has a bad name and need new form on personal income tax. They moved two thirds of the way back to position prior to 1964.

There has been no increase in the first two brackets. That's where the big cuts were.

An increase in the corporate rate + 15% surcharge would give you 13.4 rather than 9.8.

We could extend it to 1969 and make the effects for 20 months on individuals and 24 months on corporations.

This gives a more solid base. It gives us a psychological feeling since Tet, Pueblo, gold crisis, loss of confidence in the dollar that you are not satisfied with the first package.

If 13.4 vs 9.8 involved risk to the economy, I would withdraw it.

This would be Senate sponsors, in Senate amendment.

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MR. OKUN: The change is of little difference. It may be easier to change it, climb on new bandwagon. This is more than we want.

MR. ZWICK: I am not too worried about too much restraint.

MR. MARTIN: I favor it. The risks are less on this than going other way.

THE PRESIDENT: Present that to the four groups. My group: I would be satisfied with 10. I would take 13 if we could get it.

I guess it would be best. I will do anything to get the tax bill. I can't cut more than \$10 billion in appropriations.

I doubt if you can get \$10 billion reductions. George Meany said we are ruining the country.

- (1) I told him no decision has been made.
- (2) Secretary Fowler not trying to danger you.
- (3) I'll talk to you anytime.

I saw him at 4 p. m.

THE PRESIDENT then told of his talk with Mr. Meany. Meany said he didn't know if he could endorse it or not.

I also talked to Walter Reuther. He thinks we need to do more in the cities.

50% of the Senate think we need to do more. 20\$ will support Bobby. I received \$5 million in homes for the poor.

THE PRESIDENT: Get Senator Smathers to work on Williams. Get Dirksen. Get Moss and the Republicans and the Southerners.

Get Mahon to see Williams and Mills. Bring in Mills and Dirksen. Scare them and still be factual. It is wonderful what you did over the weekend.

Say this thing has been here two years. The record will show Albert said we won't get four votes in the House. Say we wouldn't need as much now as would if you had passed it then.

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- 6 -

THE PRESIDENT: It's going to be a Mills-Ford depression.

When you get that, make it bipartisan. I get as close to Mahon as I can. I want to clear everything with him.

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