

INTERVIEWEE: LEON KEYSERLING (Tape 1)

INTERVIEWER: STEPHEN GOODELL

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G: This is an interview with Mr. Leon Keyserling, formerly the Chairman of Economic Advisers, conducted by Stephen Goodell for the Oral History Project, Thursday, January 9, 1969.

Sir, I'd like to start out to ask you, since 1953 when you resigned from the Council of Economic Advisers, have you served in any official or unofficial capacity in the government, particularly with reference to the Johnson Administration?

K: No, I have been completely outside of the government since that time. I have been on one or two advisory committees of government agencies, but I don't regard that as important. I have in an unofficial way maintained rather continuous contacts and talked with people in the government, exchanged views, but the broad correct statement is that I have been outside of the government since 1953.

G: With what people have you been in contact in the Johnson Administration?

K: Well, they are really too numerous to detail. I have been in contact with the President in the sense that I have had occasions to talk to him. I have been in more contact with the Vice President because he has had more time, and I have maintained a contact there. I have had both discussions and fairly intimate meetings with a number of the members of the Cabinet, especially those in fields relating in any way to economic or public policy, such as the Secretary of Labor, the Secretary of Agriculture, and so forth. I have had many talks with the Chairman and members of

the Council of Economic Advisers. In other words, I have maintained a broad and continuous contact with those people in the government whose interests have corresponded with mine.

G: You have been a critic of the Council of Economic Advisers. As I recall, in 1965 and 1966 you gave testimony to the effect the the Council apparently had not been planning for maximum production and maximum consumption and maximum purchasing power and so on. Could you elaborate on that a little bit?

K: Well, one has to go back to the history and intent of the Employment Act. The history and intent of the Employment Act, which I helped to write and which in fact was modeled substantially on a postwar employment essay that I had written in 1944, was intended to be a great planning statute. It was designed to provide through the instrumentality of the President's Economic Reports to the Congress, prepared with the assistance of the Council of Economic Advisers, what might be called a great white state paper on economic affairs. And I do not shrink from the word "planning." Because as John F. Kennedy once said, the very future of the democracies will depend upon whether they can compete with the more rigorous and brutal methods of the totalitarians through planning under freedom. This is a rather commonplace idea now, that everybody agrees to in theory, that we have to plan to live and survive and prosper, and that planning is really the difference between the civilized man and the animal; it means looking ahead, and it means looking at everything important in relation to everything else important.

Now, under the Budget Act, the Budget Bureau was charged and has reasonably well fulfilled its purpose of planning federal expenditures in their relationship to one another, but mostly from the administrative point of view; mostly how much you need to do a given job.

The Employment Act of 1946 was designed to provide the counterpart of the federal budget in the larger field of all of our economic policies. And in fact I have frequently suggested, and so have some other economists, that the federal budget should really be a part of the economic report, because the federal budget is merely one of the instrumentalities whereby the federal government vitally affects the economy. For example, the whole social insurance program is not really in the federal budget because it's financed by payroll taxes. Yet it is in size and in importance quite as significant as many things that are in the federal budget. Various regulatory programs of the federal government affecting mergers don't enter into the federal budget. In many respects, they're just as important. Many aspects of the Housing Program, determining what interest rates should be; the principles governing loans; the whole monetary policy of the Federal Reserve System--these are all outside the federal budget, but they are within the national interests and the national purview.

Therefore, the original intent was that the Employment Act of 1946 as never before should set forth a completely integrated evaluation of all important national policies affecting the American people and affecting the American economy. Those would be: spending policies; tax policies; social security policies; housing policies; monetary policies; farm policies; international economic policies; and basic regulatory policies. These are the most important ones. These should all be part of the economic report. Now, in what perspective should these be treated in the economic report? Policies must be directed toward goals. In order to appraise policies, you must set forth goals. And, therefore, the Employment Act of 1946 specifically provides that it shall contain goals for national production, or GNP; goals for purchasing power; and goals for employment.

Now, for these goals to have any meaning they need to be broken down into interrelated components. It means nothing to say that the GNP should rise from \$600,000,000,000 this year to \$900,000,000,000 in some future year without setting forth the components which make the difference between economic balance and economic imbalance, which make the difference between achieving the goals and not achieving the goals.

Second, to be meaningful for a great nation, it isn't enough to increase the GNP; you have to ask, what are the national priorities? What part of the GNP needs to be allocated to our great national priorities--to education, to health, to a war against poverty, and so forth. Now, the budget does this in a limited way, but the economic report has to do it in a broader way. Now, it is only when you have what might be called a ten-year national economic budget, which I have published for many years, which the National Planning Association has published for many years, which some other organizations have published--that is an example of what should be in the economic report as the integral starting point.

Indeed, I believe this to have been the clear congressional mandate for the economic report. Then, tax policy and housing policy and social security policy and all of the other policies should be treated in evaluating what contribution they make toward achieving the goals. Now, some economists say that economic goals and economic policy has nothing to do with social values or national aspirations. This, of course, is perfectly ridiculous in the case of a national government, because in the final analysis the national government deals exclusively with the welfare of the people. Second, even from the economic point of view, it is ridiculous because how can one say that it is an economic problem, how much is invested each year in plant and equipment, and not an economic problem, how much is invested each year

in human beings, even while the Council of Economic Advisors is publishing reports to the effect that the improvements in human beings have added more to productivity than the improvements in machines.

This is what the economic report should be. And how has it fallen short? First, it hasn't set forth long-range national goals of this type, the argument being the economists don't know enough. Well, they don't know enough to do it perfectly, but tax policy and spending policy is based upon the hypothesis that you are dealing with the future. And if you can deal with the future with policy, you have to deal with the future as to the goals that the policies are designed to achieve.

Second, the economic reports have never undertaken what I call "equilibrium analysis." In other words, what relative levels of consumption, of investment, and of public spending will keep the economy in balance? This should be done largely on the basis of an empirical review of how things have actually worked during the last five or ten years, instead of by textbook theories about how things should work, based largely upon historic roots when economics was philosophy and not an empirical science. Quantification, empirical quantification, is the essence of the whole thing. The economic reports have not done that.

Third, the economic reports have largely abjured social or human values. I have already given the reasons why this does not constitute a great economic white paper for a nation.

And fourth, the economic reports, in not doing these things, have not even embraced comprehensively the basic policies of the federal government. In the fashion of an economic monograph, they've concentrated mostly upon fiscal policy, tax policy. They've made some skimpy references to monetary policy; they have only by label included such things as farm

policy and social security policy and farm policy. So in that respect they're deficient.

Now, because of these deficiencies, there have been gross aberrations in economic policy. The appraisal of inflation has been wrong because they haven't taken what might be called a "world view." They've attributed inflation to what they call "excessive employment and production" when, in fact, an empirical study, as I have done many times, of the last fifteen years would show that there is no correlation between price increase and the amount of employment. We had our biggest price increases up to 1966, during the past fifteen years during the recession of 1957-1958. We have virtual price stability during the first five years of the Kennedy-Johnson Administration when the rate of economic growth was twice as high as in the previous years. And we began to get the new and recent price inflation when the economy got into trouble again. There has been none of this empirical kind of observation.

Second, by not introducing social or human values, even if their explanation of inflation were correct, which it is not, they've got the wrong answers, because it is a crime in my view to make the unemployed and the old people and the people who aren't getting decent housing and the children who are going to rickety schools bear the cost of protecting me against a hypothetical small price increase in what I, as an affluent or well-to-do person, have to pay for my next high priced car or my next steak dinner or my next fur coat. So, morally, basically, this is an approach to inflation that neglects the values of the nation.

Now, under the tax reductions of 1964, this was the most egregious error of economic policy ever made by this great nation since World War II. I fought it at the time. It is very interesting that I had very little support, but in the

last campaign the chief economist for Mr. Humphrey and others said, looking backward, the tax reductions were a mistake. Well, he doesn't have to say it because by now we all know it. Why were they a mistake?

First, they were a mistake because, while we could not foresee in detail the evolution of the Viet Nam war, we did know that we lived in a perilous international world. We knew that we had enormous defense expenditures, whether there was a Viet Nam acceleration or not. We knew that there were nonpredictable changes in this era. We knew ever since the launching of the first Sputnik, when we started to write billions of words about the great American purposes, that we had enormous unmet needs: in public housing, in slum clearance; in urban renewal; in air and water pollution; in transportation; in social security payments to the old people, three quarters of whom were poor. So even if there hadn't been an acceleration of the Viet Nam war, it was perfectly clear, as Galbraith and I had pointed out, and nobody disagreed, that we needed tremendously increased public investments in the public sector. Well, we say the Viet Nam war stopped that. The Viet Nam war didn't stop that; the tax reduction stopped it. Because if we hadn't had the tax reduction, we would have had a level of taxation compatible with the real priorities and needs of the nation. So that from the point of view of analysis of the situation, we are critically handicapped even now and for as far ahead as we can see by the change in the whole structure of the tax pattern. In other words, we forgot, as Mr. Justice Holmes said sixty years ago, "taxes are the price we pay for civilization."

Now, an even worse mistake was made. Let us suppose, as I was the first to advocate, that the economy needed stimulation. There were two ways the economy could have been stimulated. One way was by tax reduction;

another way was by more public spending; still another way was by splitting it half and half. Now, when the Kennedy-Johnson economists found that it was politically a little bit easier to get tax reductions, which was no great finding--nobody is against Santa Claus--they went that way. Now, I am the first to recognize that government is the art of the practical, and you have to go within the bounds of what can be done. But what can be done with effort is very different from what can be done by an easy consensus. I am firmly convinced that a more logical distribution between tax reduction and increased public spending would have been harder to get, but would have been doable. It would have involved, as Mr. Walter Lippmann said at the time, a President willing to get his nose bloodied a little bit. Every great President has had to be willing to do that. But it got worse because not only did they choose the politically easier way, but the economists started to rationalize it in economic terms. Now, I don't believe--I've been an economist in the public service--I don't believe that an economist can publicly combat his Administration and his President. He shouldn't. If he disagrees, he can resign. So long as he stays, then he can't do that. But he shouldn't compound the felony by developing on a nationwide basis spurious economic rationalizations for a wrong policy which befoul the whole stream of economic thinking.

Now, what did they say? They said if you need to stimulate the economy, it doesn't make any difference whether you do it through increased spending or through reduced taxes. First of all, it makes an economic difference, because the other course would have provided better economic balance by getting more of the income where it was needed instead of getting it in the wrong places. Further, general tax reduction almost by definition tends to be regressive. Since the big people pay the highest rates of taxes, when you cut taxes, they're the ones who tend to get

the biggest proportional benefits. Public spending can be directed to where the money ought to flow. But aside from that, the argument that it didn't make any difference forgot what a national government and what a federal budget is all about, because if it didn't make any difference, I could have given them a very simple formula. When the economy is threatened with inflation, just have \$5,000,000,000 worth of taxes and no public spending. When the economy is threatened with deflation, have \$5,000,000,000 worth of public spending and no taxes, or \$10,000,000,000, or whatever the economists might figure it out to be. But that would forget what the federal budget is for. The federal budget is not primarily to fight inflation or deflation. This is a correlative benefit. The federal budget is to allocate to the public service what the nation needs and can't do privately, as Abraham Lincoln said. So you can't even talk about taxation until you talk about, in terms of the nation's needs, how much should the federal government spend to allocate ten percent or 15 percent or 20 percent of our national product to the schools and the roads and the cities and the police and the firemen and the teachers and everything else, that we need to but we can't do privately. Tax reduction never cleared a slum, and tax reduction never increased a teacher's salary. It made it harder to pay the teachers' salaries. So they forgot that entirely. And, therefore, they perverted the whole purpose of the federal budget.

And then they were hanged on their own petard because when 1968 came around and they thought they needed to restrain the economy, since they had said in 1964 that it didn't make any difference which you did, then they have to say it again in '68 that it didn't make any difference which you did; that it didn't make any difference whether you increased taxes or

decreased public spending. They should have increased taxes without decreasing public spending. And that got them so fouled up that they had to do some of both in a most fantastic pattern, and that was entirely illogical because it was tantamount to saying that if you reduced public spending, you'd need more taxation than if you didn't reduce public spending, which is ridiculous on its face.

So, my view is that they haven't done a good job. And one of the best examples of it is the war against poverty. Poverty in the United States is an economic problem. I pleaded with them when they started the war against poverty. Now, I admit that the war against poverty has done a lot of good in a sense; that it has activated people; that it has made them talk about the problem. But the programs haven't been good. Some of them like Head Start or the Job Corps have done some little good, but it has been a tremendously fragmentary approach to a war against poverty in a great nation. And it has raised expectancy so much more than fulfillment. And its whole idea--a distorted idea of community participation and local initiative and lifting yourself by your bootstraps--has been largely responsible in my view for the growth of the black power idea and a lot of other erratic things, and the so-called "far left" which has a complaint without a program and so forth and so on. It's all tied into these horrible mistakes in the war against poverty. Now, what were they? If there had been a real economic analysis of this subject, it would have identified immediately who the poor are. You have found immediately that a quarter of them were old people.

G: You've estimated that 66,000,000 are poor as opposed to the 34,000,000--

K: No. I have estimated that about thirty-odd million are poor, and that another thirty million or so are deprived. In other words, [they are]

above poverty, but still below a minimum decency in American standard of living. And both of those concepts are very important. Taking the war against poverty alone, if they made a real economic analysis of it--and this should have been the essential theme of the economic report because poverty in America, the private poverty or thirty odd million people, the depravation of another thirty million people, means short falls in consumption measured against our ability to produce. The poverty of services in the public sector has similar economic effects. This is the real heart of the American problem; you can almost say it's the whole American problem. Because if you cure that problem, you'd have ample markets for the new technology, you'd have a balanced economy, you'd have income gains for others because they would benefit from this larger mass market, and so forth and so on. This should have been the very central core of an economic report dealing with the problems of America. Instead of that, it was treated as sort of a side issue that you approached with--approaches on the periphery. Now, if the analysis had been made, it would have been seen immediately that a quarter of the poor are old people. What do you do about them? You don't set up programs for babies to take care of old people, or Head Starts, or debate whether Mr. Adam Clayton Powell or Mayor Wagner or Sarge Shriver should appoint a committee in New York when you wouldn't need the committees at all if you analyzed the problem properly. The old people needed bigger pay checks through their Social Security benefits. And the economic problem was to figure out how much the nation could afford to increase Social Security, by use of a balanced ten-year economic budget for the whole nation which related that to other things. And this would have merely taken a stroke of the pen once it was figured out, not a welter of excessive but fragmentary programs.

Now, 40 percent of all of the poverty in the United States is due to unemployment. And 20 percent of it is due to inadequate pay when employed,

and the two interrelate. This meant the creation of a job program, not job training without jobs at the end of the trail; not asking people on every street corner what they think they might do to get jobs, but a fundamental federal underwriting in the final analysis and not asking private enterprise to take them on. Now, I'm for private enterprise, but I think their job is to do the things that they can do profitably. I believe in render unto God that which is God's and render unto Caesar that which is Caesar's. I believe this whole trend toward mixing up what private enterprise can do and what it can't is a tremendous imposture upon private enterprise, and they'll find it out. They can do the things which are profitable in a private sense. There are many things that are profitable in a public sense that they can't do. And this includes, if I may say so, rebuilding our cities--clearing our slums. It has to be done at a loss in a private sense, but a gain in a public sense. This is so traditional that one ought hardly to argue it. But that gets all muddled up from the confused analysis of the war against poverty.

Now, the big thing to have been done as to the 40 percent of the poor who are unemployed would be to create a guaranteed federal job program, not made-work, not bonfires, but putting these people to work on fulfilling the needs of the public sector. Now, it is interesting that when the President's Commission on Civil Disorders finally came out with its report, what was the big thing that said, and every ad hoc group that has really studied this product comes up with? Jobs are the big thing. How did the President's economic advisers forget it? How did the economic reports forget it? How did the war against poverty forget it?

Now, the next thing is that all the rest of the poverty aside from the old people and the people who need jobs are those who can't work.

What that called for is again what people are talking about now and what I was talking about from the beginning, a unified guaranteed income program, not for those who can work, but to replace the rag bag of improverishing, demoralizing, corrupt, bankrupt, conflicting congeries of hundreds of income programs of all kinds to the blind, to the old, to the young, to the children, to the widows, to the mothers, and so forth and so on.

And then something needed to be done about the farm problem. Now, I refer to the fact that the farm problem was never really discussed in the economic reports. What were the economists saying? The solution to the farm problem is to run down the farm prices; the farmers will leave the farm--they'll go to the cities and they'll get jobs in industry. I say, how can they get jobs in industry, looking at the new technology? So, now, in 1969, they're waking up to the fact that millions of families were forced off the farm, they went into the cities, and what did they go into? They went into the relief rolls, and into the ranks of the unemployed. This would have all been revealed by doing what the Employment Act was really supposed to do. And the war against poverty would have converged upon four or five or six strategic manageable programs: a more progressive tax program, lower rather than higher interest rates, which would distribute money more progressively, an expansion of Social Security, and a job creation program, and the unified income payment program. And that would have been it. It would have been manageable, it would have been doable, you could have figured it out from year to year. Instead, they talked about participation. Now, I am for democratic participation through the political process in evaluating what a government is doing. This is an entirely different thing from passing the buck by saying that everybody on every street corner and the millions of most disenfranchised, disinherited people in the country can formulate their own programs.

Now, we have the apogee of it in New York City now--talking about local control of schools. What does that mean? Black teaching in black schools, white teaching in white schools, different kinds of schools for Brownsville and the affluent areas, and presumably a different kind in Mississippi. Well, the great problem with the American schools is an American problem. To use the national conscience and federal equalization program to make the schools the same, not more and more different. And illiterate parents can't determine the curriculum or the hiring of teachers. Yet, in the name of democracy here's what we're going to. Because the war against poverty in its present form has stirred up sociologists, do-gooders, experimenters, the idea that everything that's new ought to be tried, the idea that we can't learn from experience--there's no rationalization. This isn't democracy; this is the biggest threat to democracy that you could have, and this is one of our biggest problems.

G: Were you involved in any stages of the planning for the Office of Economic Opportunity or the Opportunity Act in '64?

K: None whatsoever.

G: It's my understanding that your book, Poverty and Depravation in the United States, had some influence along with Harrington's book.

K: My Poverty and Depravation was published in 1964 after the program got started, but I had done another one---oh, I'm sorry, I'm mixed up with Progress or Poverty. Poverty and Depravation, which was published in 1962, was the first really comprehensive study of the problem. Harrington did a wonderful job, but it was--and I'm not saying this in a derogatory sense--it was a pamphleteer job. He took a few stirring cases. Mine was a complete study of the whole subject. It had tremendous coverage in the newspapers and elsewhere and in the schools. And if you read it now, you see in it

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the identification of just what was needed and just what was to be avoided like a plague and just what has happened from not following more along that pattern. Now, that was available at the time. President Kennedy had it in his hands when I was over there on one occasion visiting with him. It was available, and I assume they studied it. But just because they wanted to go the other way--and this is another thing, far more characteristic of the Kennedy Administration than of the Johnson Administration--much more of the Kennedy Administration--the process of deliberate exclusion of those that they felt had an idea that they felt they couldn't afford exposure to. This is a very great liability for an Administration to undertake, but it was very pronounced at that time.

So, there's been a very intimate connection between poverty and disillusion. First, in stirring up the idea of a war against poverty; and, second in building up a wall against really carrying it forward because it was so difficult to do so. I mean, its cost implications, the whole sweep of it implications were not what they wanted to do. They fell for the idea that this was a matter of processing the individual. And this was really in a sense, in the name of newness, a reversion to rugged individualism, and let those who are worse off help themselves, and if you can only cure them inside by some kind of a refresher program, they really will be able to take care of themselves. And I asked what good does it do to give a kid a headstart for a few weeks if he goes back to a slum home and an unemployed father and a demoralized mother and an older brother with a knife gang?

G: The reason I asked is because it's my understanding that, at the initial task force sessions, the Secretary of Labor, Willard Wirtz, was pushing for precisely that--a job program, job creation program. And this in fact was an idea that was analyzed but rejected. I just wondered if you had anything to do with that?

K: I had no connection with it. My reliable information is that it was rejected; that among those participating most actively in its rejection and in the substitution of these community action programs was Walter Heller, chairman of the Council of Economic Advisors, which to me is a most incredible circumstance.

G: And then in 1964 you published Progress or Poverty?

K: Progress or Poverty, which had an even wider circulation, and which again, since the program was so very young, even more explicitly than the earlier book, pointed out what I am saying now.

G: Do you feel that the government can be committed to planning? This is a very large and rather amorphous area, but going back to the New Deal, you said that you don't shrink from the word "planning." Do you think that administrations do shrink from the concept of planning? They do plan, but--

K: Well, first of all, let's look at what was done during World War II. What was done during World War II was an exact demonstration of what I am talking about. Now, I'm not talking about controls. I'll come to that. Planning has nothing to do with the devices that you choose. It has to do with the method of reasoning whereby you arrive at decisions. It doesn't determine whether taxes are big or small; it determines how you decide what taxes should be. It doesn't determine whether you have direct controls or not; it determines what analysis you use in deciding whether you need them or not. It doesn't determine the respective share of the government and private enterprise in the economy; it merely determines how you decide that question and how you bring your policies into focus. Now, in World War II we had planning in the sense that we had targets; we had quantifications; we had a balanced model of the economy in action, how much you needed for civilian supplies and so forth. And then we brought policies to bear.

Now, many people will say, "Well, that was all right for wartime, but the people wouldn't be willing to do it in peacetime." Well, there, they are confusing planning with controls. Nobody on the street corners in the United States would object to the economic report having a ten-year model for an economic budget in it, or deciding its tax policy sensibly rather than flying blind. But people have the idea that because planning during World War II meant direct controls and rationing and allocations and wage regulations and price regulations that that's what planning means at any time. This is nonsense. You didn't have the direct controls during World War II because you had planning; you had the direct controls during World War II because, since we were burning up half of our product in fighting the war, we needed them to ration the balance of the supply. The same planning process led to the demolition of wartime controls, and the very reason that we transferred back from a highly controlled economy to an uncontrolled economy so successfully without any of the tremendous increases in trouble and without the eight million unemployed which most economists were predicting although I challenged them at the time. Why were we able to do that? Through planning. In other words, the planning served not only to impose the controls that were needed during wartime, but intelligently to demolish the wartime controls, not as well as it might have been if the Congress hadn't interfered. The price controls were abolished prematurely, and we had inflation, but that's a side issue.

Basically, all I'm saying is that you don't have the same programs in peacetime as wartime, but the mere fact that you're not in a big war doesn't exonerate you from the obligation to be intelligent and to be rational. And, anyway, the Employment Act requires this, and the Employment Act wasn't written for wartime; it was written after the war. And this

raises the whole point that unless we can in relative peacetime--and economically speaking, even with the Viet Nam war, we are in relative peacetime because it's only taking 3 percent of our product, and the total defense program only 8 percent compared with 50 percent during World War II--in relative peacetime, the very issue is how we can steer between the Charybdis of excessive aimlessness and laissez-faire and ad hoc action and the Scylla of excessive centralization and control. You don't answer the problem by inveighing against planning. You answer the problem by saying, what is the modern meaning of planning in a free society, which is the question that John Kennedy raised even if he didn't respond to it, and which is the question increasingly raised by some people who are thinking thoughtfully about our economic and social problems.

G: Do you think that there are any political obstacles in the face of a ten-year planning?

K: There are political obstacles in the face of everything. Neither President Kennedy, who was virtually at a stalemate before his assassination--and I don't say this critically, I merely state the facts--he was virtually at a stalemate before his assassination; he couldn't get any of his programs through even though he had sought compromise, and even though perhaps in the judgment of history he had compromised too soon on many things, such as the school program and other things of that kind. And even on the tax program, he delayed for two years and then got the wrong product mix; so with all the delay and all the carefulness, and he was very cautious, he still had political difficulties, in fact, political frustration. There's no use speculating on what would have happened if he had lived.

Then Johnson comes along. In my view, he was much more activist, aggressive, and managerial competent than Kennedy, and he got through a

very broad and creative domestic legislative program. The truth of the matter is that every great President in American history has pushed beyond the bounds of what is politically easy to the limits of what is politically possible. That's the real point of distinction.

Now, what I am talking about is not politically impossible. It is merely politically more difficult, but it isn't any more difficult than when Woodrow Wilson, a first-term minority President, when the Democratic Party was really a minority in the country, pushed through in two years the greatest program of economic and social reform we ever had up until that time because he knew what he wanted. And he knew the role of the presidency. And he was willing to get his nose bloody. Franklin Roosevelt had to do the same thing at different times, but as to political feasibility, it is said Roosevelt could do it only because there was a great depression. Well, how did Andrew Jackson make the fight? How did Wilson make the fight? How did Theodore Roosevelt make the fight. There was no great depression. So, there's always a refined judgment as to the absolute boundaries, but I have no reason to suppose--I'm willing to guess. You can only guess about what didn't happen, because you can't set it up in a laboratory. I am convinced, let me say, that if instead of the tax program which we got and which actually took Congress two years to enact--

G: This was '64?

K: Yes, two years before that for Kennedy to decide upon--if he had come forward and simply said, "We need more buying to stimulate the economy; at the same time we have poverty; the people in the country, not just the poor, but the middle-income families, have a \$600 exemption which is twenty or forty years out of date--let's lift the exemption to \$1200 or \$1800,"

I think this would have appealed to more people, and it would have put the tax reduction where it was needed; it would have been more effective; it would have been fairer. And if he had said, in addition, we have great public needs; we're going to make a split between tax reductions and increased spending, I don't think that was politically impossible.

Take the tight money and the rising interest rates, which is one of the worst things, which is becoming horrible now, and which in the name of fighting inflation, is placing the cruelest tax upon the unemployed and the people who have to borrow money and the young couple trying to buy a house and the man sending his wife to the hospital or his children to college. Rising interest rates impose the cruelest tax upon the people who are without protection and yet in the name of shedding crocodile tears for them, we've jacked up the interest rates so that the young couple buying a house will pay out \$8,000 more on interest rates over a twenty-year amortization than if the interest rates had stayed where they were in 1952, or a full year of their income in the name of fighting inflation. And it's cost the federal government \$35,000,000,000 over the period that the interest rates have been rising; it's cost the state and local governments \$5,000,000,000; it's cost private borrowers \$64,000,000,000; it's cost the three of them together more than \$106,000,000,000 since 1952, and is costing about \$20,000,000,000 a year now, with \$8,000,000,000 in the federal budget alone being due to rising interest rates. And this \$106,000,000,000 is almost entirely a transfer from the lean to the fat, a transfer from our national need to our national greed, and an impoverishment of the public services that could be financed with that wasted money. And all that in the name of fighting inflation.

G: What reasons do you attribute this?

K: I am not a psychologist; you try to go to ultimate reasons [and] there's no place where you stop. I attribute it to the fact that the people in positions of responsibility have not seen fit to exert themselves sufficiently on the other side. I don't think it unavoidable; as a matter of fact, the reason I say that a lot of this apologia about political feasibility is nonsense is that I can go and have gone to any group around the country anywhere and make a talk against rising interest rates, and I'll have 90 percent of the house with me. This is a natural coincidence between what is economically and socially right and what is politically feasible. And the Democratic party from Andrew Jackson through Harry Truman took this position, and were charged by others of sacrificing what was right to political feasibility. In other words, there are more people who borrow money than will lend money, etc., etc., and therefore they were charged with favoring cheaper money simply because it was politically feasible or populist. So the argument certainly can't be made that the tight money and rising interest rates have come because the people were for it. It has come because a few powerful groups were for it, and because they have established a meretricious alliance with people in public office who I say ought to know better and ought to have done better.

G: What I was getting at--I think it was in '64 that you did point out that the unreformed tax bill in fact gave its greatest benefits to the more affluent.

K: Of course. And so the least they could have done when they raised the taxes again would have been to undo some of this. But instead of this, they slapped on a 10 percent surcharge which is very regressive because the uniform rate of increase for all income groups is regressive.

G: You brought up the war on poverty, and you made some comments and analysis of its shortcomings. Within the Office of Economic Opportunity, they do have an Office for Research and Planning. And, I think, in 1967 Congress gave it the authority--instructed it to present a national economic plan. Have you seen this?

K: No, I haven't seen it.

G: Do you have any idea of the kind of analysis that goes into this? Have you been in contact with any of the economists or planners at OEO?

K: No, they haven't talked to me about it.

G: Sir, it's my impression, listening to you and the kind of analysis that you've been proposing, that there's a great similarity between what you say and the kinds of proposals that people like Rexford Tugwell and George Saule and what I would call the New Republic economists of the thirties have been saying. Would you like to comment on this?

K: Well, I wouldn't say there is a great similarity, because conditions change and the economists have to change with them. And without any derogation of them, I have been actively living and working in the American economy for the past thirty-five years, where they have more or less withdrawn--not only withdrawn as activists, but withdrawn even as observers. I think one of the most dangerous things is to project the thinking of an economist many years beyond his times. This is one of the troubles with the use of Keynes. He was a great economist, a great originator, but after all he was dealing with the problems of a depressed era and a World War II economy and the problems of international adjustment slightly thereafter, and it might well be said that he wasn't really commenting upon the scene of the 1960's. Although I've also pointed out that the new economics has not been going wrong because it followed Keynes; it went wrong because it turned him

upside down. John Kenneth Galbraith calls it "reactionary Keynesianism," but it's not even reactionary Keynesian; it's just the opposite exactly of everything that Keynes stood for. But I won't go into that in detail.

Now, coming back to Tugwell and the others, I might say for the benefit of some of the younger people that Tugwell was a New Deal economist, influential at the time. I knew him long before that. I first met him in 1924 when I was a freshman at Columbia, and I had many courses with him. Then after I got through law school, I came back to Columbia and taught there, and did writing there. It was under his aegis--in fact, we published a couple of books together and then it was due to his work with Governor Roosevelt that I came to Washington, even though I then lost working contact with him because I went to work for Senator Wagner. Be that as it may, broadly speaking, Tugwell, especially, was in my view one of the most original and creative and profound and sound of all of the American economic thinkers. He wasn't thought too much of by some of the economists, either at Columbia or elsewhere, because he wasn't going along with the beaten track. But this is my view of him. Now, he's still alive and he's still writing a lot of interesting books, but he's getting more into the field of history and biography and recollections. He has really gotten out of economics, which is too bad.

Now, in the sense of believing in planning under the American system and in ultimate social goals and in values, I am very much in line with them or they with me, except that of the thirty-five years since they have been inactive and due largely to the experience of World War II, and due largely to the increasing availability of income statistics, the techniques which we have for doing it are infinitely greater than what we had at the beginning of the New Deal.

Now, this brings me to the New Deal. I was very active in the New Deal, and I wrote a lot of the most important legislation in the New Deal.

G: Could you be specific?

K: Such as the--well, I indicated my relationship to the Employment Act of 1946. I wrote the National Labor Relations Act which introduced collective bargaining. I wrote almost all of the basic housing legislation, including the great act of 1949 when I served as adviser simultaneously to Senator Wagner, Senator Ellender, and Senator Taft, although one was a liberal Democrat, one a conservative Republican, and one a conservative Democrat.

I wrote, in 1942, for President Roosevelt the executive order which consigned all the housing agencies into one--consolidated them all into one, under the National Housing Agency. And I wrote, as I say, the Act of '49 which transferred that to a Federal Housing and Home Loan Agency, which in turn became the Department of Urban Affairs, so that establishes my close connection with the Department of Urban Affairs.

I didn't write the Social Security Act, but I worked for the Senator who sponsored it and had a great deal to do with the studies and the reports surrounding it. I participated in the writing of the original NRA, and in the writing of a lot of the public works laws. Well, that more or less covers it.

I have been, despite that, a critic of the New Deal in the same sense that I have been a critic of what has come after it. One of the very criticisms that I made of the New Deal was that while it did a lot of good things, it was improvised. It was ad hoc. The farm program plowed under pigs, while other programs sought to increase production and so forth and so on. And it was because of that--it was out of that New Deal experience that I developed my idea of the "American Economic Goal"

which was the title of my 1944 essay, which finally found its way into the Employment Act of 1946. It was the combination of aimlessness--not aimlessness, because it certainly had an aim--but the confusion during the New Deal and the purposefulness during World War II; those two things in combination provided the blend out of which arose the Employment Act of 1946.

Now, having made these criticisms of the New Deal, let me come to its defense. It is commonly said that the New Deal was a failure because there were eight million unemployed until we got into World War II--this is nonsense. In the first place, considering that we had fifteen or sixteen million unemployed in 1933 and considering the difficulty in reviving a private economy which was so prostrate that there were no profits, and business was in the red, and every act of revival conflicted with something else--in other words, you need to increase wage purchasing power to revive, but how can you increase wage purchasing power when business is in the red? And so forth and so on. Considering the difficulties of 1933, the progress from fifteen or sixteen million unemployed in '33 to eight million unemployed in '39 was a greater accomplishment than the amount of reduction in unemployment that we've had in the last few years, which started from a much more favorable base and much more knowledge and much improved techniques, [but] still leaves us with 40 percent unemployment among some of the vulnerables and 10-15 percent unemployment among many of the Negroes, and 10-15 percent unemployment among the teenagers. This is point one. Measured against the times, the New Deal did more than we have accomplished recently.

Second, what is forgotten is the permanent and enduring consequences of the reforms of the New Deal as distinguished from the recovery measures.

The reforms of the New Deal and the creation of a more progressive tax structure, the creation of farm price supports which have taken a great pounding, but few realize how much worse we would have been off without them, the creation of Social Security, bank deposit insurance, collective bargaining which helped to redistribute income--all of those things. They didn't help recovery. In fact, you don't have recovery by imposing a Social Security tax; you hinder recovery. But when we came out of World War II, nothing since goes so far to explain the greatest stability and growth of the economy since as those very New Deal reforms. We have them as an asset which provides such a great cushion that despite the aberrations in later policies, the economy has been strong enough to ride through the storm, basically because of those so-called automatic stabilizers and other permanent improvements brought during the New Deal. This is commonly forgotten now.

I had an exchange with one of the New Frontier economists who wrote in a magazine that Franklin Roosevelt really had no more sense about public responsibility than J. P. Morgan the elder. Now, when you read something like that and have to answer it, you begin to see--I've said about some of those people, what their books really ought to be called is that there are no great men since Agemenon. And even the talk about never thinking about using the budget to stabilize the economy before, why, we took seven years of pounding during the New Deal for spending money despite the deficit. Deficit-financing, the very word occurred, and we all knew knew that deficit-financing stimulated the economy. And yet, you would think now that the idea has just recently been conjured up that you use the budget to affect the economy.

Now, the reason that the New Deal had those reforms, where the New

Deal basically excelled at later periods even though it didn't have the techniques--it didn't have the income statistics, it didn't have the experience for planning--the reason it excelled was because the ultimate test of policy was fundamental social purpose. The policies were all aimed toward watering the tree at the bottom, which is the best thing for America economically as well as socially because of the kind of economy we are. In this sense, there has been a great departure in later years from the basic underlying guiding philosophy of the New Deal, and I think that part explains some of the mistakes we've made in later years.

G: You say you helped draw up the legislation for the NRA. Did you then become a critic of it? Were you satisfied--

K: I was working with Senator Wagner then; I became his legislative assistant in very early 1933 after having come down here, as I say, in March '33, almost on the first train with the people who had helped Roosevelt as Governor. After two weeks in the Department of Agriculture, I went over to Senator Wagner's office and was his legislative assistant for a number of years thereafter. And that way I got drawn into the original drafting of the NRA, and sat with the little groups that were working on it. And let us not forget the second half of the so-called National Recovery Act was public works. And that we lifted right out of the work that Senator Wagner had been doing. The first part which was industrial recovery involved the codes and so forth. There was a good plan suggested by Gerard Swope of General Electric and many others and we synthesized them and I worked with a group working on it, including people from Brookings and people from the Department of Commerce and elsewhere. But Senator Wagner handled the legislation. I was particularly responsible for seeing that Section 7-A got into it, which had to do with collective bargaining,

and which was the balance wheel, and which later became the Wagner Labor Relations Act several years later, which I did draft. And I was also responsible, when they tried to amend Section 7-A on the floor of the Senate--to mutilate it, for calling attention to that.

Now, as to becoming a critic of it, I couldn't vocally become a critic of everything because I was Senator Wagner's assistant. But Senator Wagner became very critical of the NRA and I was working with him, making studies. And he began to talk about the fact repeatedly that the NRA wasn't taking care of wages and was slanted--it had gotten into the control of the monopolists and so forth. So in that indirect sense I became a critic of the NRA.

G: In some assessments of the New Deal, they point to this very fact, as you've said, that it wasn't coordinated, unified planning; that it was what they called hit-and-miss experimentalism.

I'd like to shift to another--would you describe yourself as a Keynesian economist, or how would you describe--

K: Really, that is a frequently asked question, but not intending it as a criticism of you, it is far, far more irrelevant than asking a physicist if he would describe himself as a Newtonian physicist, or whether he would describe himself as an Aristotilian physicist. Economics changes even more than the physical sciences, and any economist--and that is my criticism of some of them now--who describes himself as a Keynesian economist or as an Alfred Marshall economist, or what have you, just show that they haven't realized that all of these great thinkers have entered into a continuous stream of thought. Now, the reason that so many of them describe themselves as Keynesian economists today is the narrowness of the academic mind and the academic rules. They've spent so much time teaching in their

textbooks and in their classes that Keynes was an improvement over their early conventional theory that they became so imbued with the idea that they were Keynesians, that they could never extricate themselves and could never realize that after all basically what Keynes said, namely, that the government should spend money to compensate for deficiency in private investment to bad income distribution, was not really very new.

He wasn't even the originator of that--more of an originator of that was John A. Hobson who wrote before Keynes, but again commenting upon the academic mind; John A. Hobson wrote in a readable way. Keynes performed the service of translating it into formulae of a mathematical nature and therefore he attained an honorific acceptance which hadn't been accorded to J. A. Hobson. Of course, Keynes was also helped by the fact of the great depression around the world which Hobson hadn't had. And let it be noted that until that great depression came along, Keynes was also treated as a maverick and excluded from the economic rolls. Let it also be noted that Arthur Schlesinger said in his work on the Roosevelt era, which is a fine historical work and quite unlike his work on the Kennedy era which I call an 800-page eulogy and not an historical work at all--

G: A thousand pages--

K: I accept the correction. I like a six-page eulogy; I don't like a thousand-page eulogy. When I have a thousand pages, I want analytical history and you don't get it. But it is in the Roosevelt era books of his, the three that he has done thus far, he comments therein that when the New Deal turned to the lights of academic economists, there was nobody there, nobody there who had worked on it, nobody there who really had anything to contribute. Now, the real innovators during the New Deal period were not economists, for the most

part. They were people like Henry Wallace and others, and even Tugwell, well, he was an economist technically, but as I've said, he was of them but not in them. He wasn't an accepted economic light. This is almost universally true.

So, I am not Keynesian, I am myself. Now, I will say this. That one of the most prevalent of fallacies today to which I've already alluded is the idea that the new economics was Keynesian. Now, let me illustrate very briefly because it's all on two or three pages of Keynes in the summary, and it's very easy to read, in the late work--the general theory. It says this: it says you get a bad distribution of income for many reasons. People at the top with more income have a lower propensity to consume and a higher propensity to save than the people at the bottom. They save more than can be permanently absorbed in investment because, since they save relatively too much and the people at the bottom can't save but spend, if there were more income at the bottom then there would be less saving. But since there's too much income concentrated at the top, there's too much saving. The saving can't all be absorbed in investment because if it were, you'd get an over-production. And so periodically there is a very sharp fall-off in private investment due to the excess saving. Saving no longer equals investment and to the extent that saving doesn't equal investment, you have unemployment. That's all there is to it. That's his whole analysis. Now, what was his remedy? To drain off the excess private saving with public borrowing or deficit financing, and to spend the money for public improvements which he said the nation needed more anyway. Then he went on to say that even if you did that, you wouldn't get a cure unless you used tax policy and many other policies to improve the distribution of private income.

Now, the new economics of the tax reduction did absolutely the reverse. There was an excess of private saving all along. There was never a shortage of private saving, and there was never any trouble with investment due to their not having enough attained earnings. But instead of draining off the excess savings for public investment, they paid out tax reduction bounties to the very private individuals and the corporations that had the excess saving and starved the public sector, and paid out very little to supplement the incomes of the people lower down, and what happened? Well, it is said that it was a great success. Well, first of all, they count ninety months or what have you of steady growth. That's not so. It's just that tax reductions came in '64. You can't count the four years from '60 to '64. That was a normal upturn and a very poor one after the previous recession. You can only count the years from '64 forward, if you're talking about the new economics.

Now, when you count those we had from '64 to '66 a big upturn, but then because it was so out of balance, not because of the Keynesian remedy because it was doing just the opposite of what Keynes would have recommended, you got into trouble and you began to observe that there was tremendous over-investment. They then changed their minds three times in a year-and-a-half about the investment tax credit, and so forth and so on. And furthermore, the sustained advance, though inadequate during the last few years, has been supported by a tremendous and unexpected increase year by year in war spending. Now, there's no particular trick in this. So to say, quite aside from social neglect, that in purely economic terms the new economics formula is either new or a big success, to my mind just doesn't register. You go on increasing wartime spending by a good many billion dollars each year, and you will not have an economic downturn.

G: Some economists, I'm thinking specifically of Leo Huberman and Paul Sweezy, although you had begun to comment on this earlier, maintain that military spending is what keeps the economy sound. Would you comment on that?

K: Well, what I just said would imply that I agree with them, but it would be a great distortion to say that I do. I am observing that increased military spending in the last few years has saved the new economics from their mistakes. I'm not saying that if the mistakes hadn't been made, and they shouldn't have been made, that we couldn't have been richer off and better in every way with less military spending because military spending is wasteful. This doesn't mean that I disapprove of our international policy--that's separate issue, but in purely economic terms it's wasteful. So I agree that the increased military spending has saved them from their mistakes, but I do not agree, as I do believe Sweezy and others in his school constantly emphasize, that it is only through military spending that our kind of economy can keep going.

Now to show why I don't believe this, let's go back to World War II again. Toward the end of World War II, we had military spending coming to about half of the whole economy. And the economists, not only the Paul Sweezies but more generally, say, "Gee, when this is cut back we're just going to hell in a handbasket; we're going to have eight million unemployed or more," I said no. What happened? The military spending was cut back from 50 percent of the economy to only about five or six percent. Actually, at then prevailing prices, it was cut--well, taking it at current prices, it was cut from the military spending at current prices--it was cut from let's say a \$150,000,000,000 a year to about \$20,000,000,000 a year in one year. We didn't have much trouble, and it wasn't because of the cold war because that came considerably later. We

didn't have much trouble because first, of the New Deal reforms to which I have already referred; and second because of the intense planning toward the end of the war of what was to be done when the war was over: the sustaining of the veterans through a number of years, through education, the housing program, and so forth and so on.

So I reject completely and absolutely the idea that our economy is characterically one which can be supported only by military spending. This is the classical--and I'm not using names to call anybody anything, but this is the classical--well, I don't know what to call it. I don't want to call it socialistic because Norman Thomas was a socialist and he didn't believe that. He believed that you could reform the economy so that you didn't need military spending. I don't want to call it something else because that wouldn't be fair. But anyway there is a school that believes or says that the American economy is the kind of monstrous ogre that can live only on military spending. This is not so; it has been proved not so, and there is a very dangerous thesis to adhere to.

G: What has Viet Nam done to the economy?

K: The Viet Nam war has tended to maintain a forward movement of the economy when I believe that, but for the Viet Nam war, the disequilibrium in income produced by the mistakes of the new economics would have gotten us into a recession. I think that without the increased spending in the Viet Nam war we would have gotten into an economic recession around '66 or '67.

G: How do you analyze what it has done in terms of priorities, for example, in domestic legislation, the war on poverty, budgetary cutbacks, and--

K: I think this has been fantastically and dangerously over-exaggerated this way. You see, some of the intellectuals who have been against the Viet Nam war have not hesitated to use the most dishonest kind of arguments. In

other words, they have been so interested in fortifying their position on the Viet Nam war that they haven't argued it solely on the grounds of whether it is the right or wrong international policy, but have moved on to the argument that because of the Viet Nam war we have tremendously starved our domestic priorities. Now, I've insisted that whether or not this argument is correct--and it is absolutely incorrect--that even if it is correct, that it is dangerous and pernicious.

The Viet Nam war should have been argued solely in terms of this question: in an unpredictable world, what international policy is best suited to increase our chances for ultimately working our way to a durable peace? If one believed that the Viet Nam war was a necessary holding operation, all things considered was preferable to withdrawal, then he should be for it. If one believed to the contrary that the Viet Nam war increased the chances of a worldwide conflagration, then he should be against it. And if he was for it on that analysis, 200,000 troops weren't too much, and 500,000 troops weren't too much--and although I am not hard about the loss of blood considering what every nation in history has spent by blood to save itself, and what the English and the French and the Germans and the Russians and everybody else has lost over our lifetimes, or what the Russians lost in front of Stalingrad, or what the English lost in World War I, that the number of casualties we suffered in the Viet Nam war, although I am not soft about them, combined with how many we suffered in World War II and in World War II and compared to others, we've gotten off very, very easily if it is a national policy designed to lessen the chances of worldwide conflagration.

On the other hand, if it is a national policy designed to increase the chances of a worldwide conflagration, 200,000 troops is too much, and

100,000 is too much, and 50,000 casualties is too much, and 25,000. Now, this is the way the Viet Nam war should have been argued. It is too basic an issue, too important to our whole future, to be distorted by the Galbraiths and others with their silly books. And the Schlesingers who are telling us that nobody in the world has any more aggressive designs except the predatory American eagle; and that there was no longer a conspiracy between the Chinese and the Russians, and this was the basis on which they distinguished it from the Korean situation which they supported; and if only the predatory American eagle got out of Viet Nam, there'd be no more world problems because everybody else was pacific, and there was no longer a worldwide conspiracy.

What do they happen to say when Czechoslovakia came along? And what difference did the conspiracy make anyway, because when Russia and China were superficially allied earlier, they didn't have the foresight to see they would be a split. They as historians predicted their views on the idea that they'd be together forever. It was only some discerning people, not including them, who said that they might fall apart. Now, if they were wrong about that, how can they be so sure that they'll never be together again? And what do they mean by "together"? They are arguing with each other about Marxian dialectics, and hurling invectives at each other, but they're together on everything affecting us. They both were against us on the Viet Nam war; they're both against us in the Near East. Where are they not together? And what difference does it make anyway? Germany didn't have to have any allies; Hitler and Germany didn't have to have any allies to almost destroy the world. And Russia has enough destructive weapons now, and China will have them soon, to destroy the whole world, whether they're together or not. Now, I'm not saying they're

going to do it, and I'm not making an anti-Russian or anti-Chinese speech; I'm not saying that our foreign policy is right. I'm merely saying that this is the ground on which it needs to be argued. And when intellectuals try to pervert that with the crazy kind of arguments that they have made, and say that we've got to stop it because we can't rebuild the Harlem slums, they are doing a most dangerous thing.

G: You feel guns and butter are possible?

K: Even if they're not possible, but of course they are.

Now, I come to the second point. That the whole argument is meretricious anyway, because the reason we have abated our effort on the domestic front is not because of the Viet Nam war. The tax reduction showed how little we cared about our domestic priorities before there was a Viet Nam war. It has always been the history that after a year or two with the kind of innovative reforms that Johnson enacted, a President is always checkmated. Roosevelt was checkmated by '37; Wilson was checkmated after a year or two. It's the way the American system fluctuates. And if there had been no Viet Nam war, the forward surge would have come to an end temporarily within a reasonably short period of time, as it always has. And actually, as I say, the tax reductions show that we weren't too much concerned about the social programs, the domestic priorities, even before the Viet Nam war. And we were promising more tax reduction in short order beyond those of '64, before we knew that the Viet Nam war was going to accelerate; so we were definitely committed to tax reduction rather than domestic priorities.

Now, taking all these things into account and looking at the whole history of social progress as I have seen it and the fight that you had to make on all fronts over the past fifty years, I think there was a tremendous exaggeration of that single explanation, and that everybody has gotten

confused. And if we come home from Viet Nam tomorrow, do you think it's going to be easy; for that reason, to get out of the current Administration and the current Congress a domestic priority program compensating for the Viet Nam war? Or, are they going to cut taxes? So, you see, I think they've distorted the whole argument and done a disservice. I don't criticize them because they and I disagree about our foreign policy. I do criticize them because they have used that, and I may say, used it too in their behavior of the last two years politically, in many ways that I can't agree with.

G: In this debate as to the end of the war and what will happen, is there going to be a cut in taxes and so on? What do you see as desirable? Do you feel that there is adequate planning?

K: No, there's no adequate planning. And I feel that it's desirable to increase public spending for the great national priorities before the war ends. Because I don't believe that the inflation is due to an over-strained economy; the economy isn't over-strained. Manpower isn't over-strained, and plant isn't over-strained. Plant is operating at 85 percent of capacity.

G: How do you increase the productive capacity?

K: I think we should increase it, under the current circumstances, by the multiplier effect of more public investment in our urgent urban problems.

G: Which gives the priority to the same--or seems to put your priorities in the same category as the critics of the war, then.

K: Oh, yes, I'm not complaining about that.

G: You stated, I think, again, you've touched on this, that the--I'm quoting here, that "the economic problem, the social problem, the unemployment problem, and the poverty problem, are all one problem in the United States."

K: Yes. The United States is blessed as no other nation with an absolute nexus

or umbilical cord between what is economically sound and what is socially just. No other nation in history has ever had that. You take India today. Obviously, in view of the fact that the per capita standard of living is only about \$60 a year, the great social urgency, the great ultimate purpose, is to raise living standards. Yet, because the country is so under-developed they have the problem of trying to restrain living standards in order to build the investment base through saving. This is a correct policy. It happens that a free and democratic country finds it extremely hard to apply that kind of policy, and thus is at a disadvantage with the totalitarian states like China and Russia. And this is the tremendous argument for the rich free countries which want to preserve democracy in a country like India to do much more by way of foreign aid than they've done and do it much better. This is the very heart of it, which we've lost all understanding of. But be that as it may, India has to sacrifice the social objective to the economic purpose, not because it values it higher in the long run, but because in the short run you've got to develop the country in order to achieve higher standards in the long run. And Israel to a degree is in the same position.

The United States is just the opposite. Really, the economic problem in the United States, despite all the talk about investment, has never been that our investment has not been adequate except in World War II. To advance and to grow and for technology to grow and for science to grow and for research to grow and for inventiveness to grow, the problem is expanding the market enough. So we are in the situation where really, instead of the level of consumption depending upon the level of investment, the level of investments depends upon the level of consumption in the long run. And since expanding the level of consumption depends mostly upon making the

American consumers out of the sixty million Americans who are either poor or deprived--a social problem--by fighting poverty and improving our cities and doing justice and meeting public needs--the economic problem and the social problem are one and the same problem.

And one of the greatest damages that has been done by conventional economic thinking in which the new economics is a part is the setting of these two into juxtaposition with each other. And the trade off of one against the other--trade off of unemployment against inflation--well, I've already talked about that. Even if it were correct, you tell the unemployed man you should get nothing, or get a miserable relief benefit of \$1,000, to protect the affluent against inflation, how can you tell him that? Even if it were true? And it's not true for the reasons that I gave.

G: At the beginning of this interview, you mentioned one of your criticisms of the war on poverty was the lack of a job creation program. Would you then put any emphasis on work-training programs? Would the two have to be concomitant, or do you think--I think somewhere you have stated that people actually get trained on the job.

K: Well, of course, you need a work-training program, but it's a matter of balance and proportion. World War II is such a splendid example. We had work-training programs during World War II. But fundamentally, why did the women and the middle-aged workers and the Negroes who had never been used in industry before--why did they march into the factories? Not primarily because of a work-training program, but primarily because the jobs were created because there was a national need to use these people rather than to have them lie fallow. Now, when I hear all these analyses of the nature of the unemployed people today--they're too old, they're too young, or too sick, or too female, or too black, or too untrained--

- G: Obviously, your vision, it seems to me, goes beyond that of the Great Society. Could you make a broad analysis of Johnson's Great Society, or Johnson as a President? I've already gleaned that you strongly oppose consensus politics.
- K: Well, I have been critical of certain important aspects of the Johnson programs. Now, let me get my position a little broader and clearer. I have been around here for thirty-five years, and I've done a lot of reading and a lot of observation. I've had a lot of experience, and I had it before also. I think that Lyndon Johnson as of today, and I think that the eyes of history will vindicate this, has been the most unfairly treated, the most unfairly demeaned, the most underrated President in my lifetime and longer, and that he will go down in history as one of the greatest Presidents of this century; certainly, ahead of others with the exception of Wilson and Roosevelt; quite competitive with them. I think that all of the talk about his nose and his manners and his secretiveness and his deviousness--that 90 percent of it is junk. That anybody could indeed make the same charges about Roosevelt, not as to the nose and the manners because he was a patrician, but certainly about the deviousness and about the sacrifice of friends to his ambitions or to the public interest--you could pay your money and take your choice--and in not saying things until he wanted to say them.

After all, the great service that Franklin Roosevelt performed to humanity was dragging us into World War II; and I do not say this in the sense of his critics. He saved us from a world run by Hitler, and he did it in the face of great political obstacles, and he began to do it early; the greatest contribution ever made--the destroyer deal and lend-lease and all those things. He was never neutral. Yet, in 1940 in his final

campaign speech in Boston, he said, "I tell you again and again and again I am not going to send our men to fight on foreign shores." Nobody now accuses him of deviousness. Johnson never did anything equal to that, and that is only one little example. They've accused him of deviousness because he didn't tell the press three days in advance which plane he was taking to go somewhere. The President is under no public obligation to tell them which plane he's taking, or to change his plane. Now, I'm not making this up. I've read these stories all the time. So much for that.

Then you come to the matter of his appearance and his manners. Well, what did they say about Lincoln? He was a buffoon; he was a baboon; he was an illiterate; he was a monster. And this was said even by some of his distinguished Cabinet members for awhile. It all comes down to nothing. Now, when you measure his accomplishments and his intent--I'm leaving out for a moment the Viet Nam war--domestically--I said when Johnson first came in, because I have known him from when he was a young congressman and he came to talk to me about our first housing project for Austin, Texas, and I've known him all the way through--I said, "Johnson is really more dedicated to the idea that government has to help the ordinary person, really more dedicated to it, than Kennedy ever was." He's really basically more liberal than Kennedy. I believe this has been proved. I don't agree with those who said that it was all on the drawing boards before Dallas. It wasn't. Why did it take so long? To be sure, Kennedy had only three years, but the history of every great Presidency is that the President has struck in his first year. Wilson and Roosevelt and all of them struck the very first year. And Jefferson and Jackson and the others, too. So this is shallow stuff.

I think if the breadth and the width and the depth of the programs that Johnson proposed and got enacted, they weren't big enough--unfortunately, he didn't carry out the Democratic tradition in fiscal and monetary policies, which I've already said, but nonetheless I think he set a base from which we can never withdraw and that he will go down in history as one of the most dedicated and human and inventive and successful of American Presidents on the domestic front. And I think the way all of that has been debased, when I read the kind of articles written about him even now, I'm disgusted.

Now, you come over to Viet Nam. I don't want to argue the merits of that. I may have intimated some of my feelings about it. More broadly, I don't believe there is a single real analyst--a historian--who would argue that if Kennedy had lived, it would have been very much different. He got us in; he expanded it; there was a pace after that. And furthermore, when one starts to analyze all of the divisions later on and the thought that Robert Kennedy or Gene McCarthy or this one or that one had any really different formula for getting out after we were in--I went to the Democratic convention. I heard the argument between the two sides. One side was represented, I think, by Wilson Wyatt, and the other by Ted Sorensen, I think. I listened to them. Wyatt said we want to get out as soon as we can, but with honor, and without sacrifice of American life. Sorensen said we want to get out as soon as we can with honor and without sacrifice of American life, but we're going to do it quicker, but through negotiation. So I asked myself, if you're going to have negotiation, how are you going to get out quicker without sacrifice of American honor and American life, when the pace of the negotiation and the terms of the negotiation depends upon the opposition and you don't know yet what they're going to do? So

when I analyzed the whole thing out, it was a sham battle, which I think was purely political in nature, and I'll come to that, I could not really find the difference.

Now, if some leading political figure had gotten up and said--I wouldn't have agreed with him--but if some political figure had gotten up and said, "I don't think we ever should have been there; I don't think we should be there now; I don't think we have any interest there; I think we should write it off; and if I am elected President, I am going to remove our men as fast as the American Air Force and the American Navy can carry them," I wouldn't have agreed with him, but I would have said, "There's a different position. I respect the man's candor; he isn't playing political tricks." But would Bobby Kennedy have said that? Or McCarthy? And I said that so far as they are concerned, the unravelling of the settlement of the Viet Nam war is going to be about the same, whether Johnson is President or Humphrey is President or Nixon is President or McCarthy is President or Kennedy is President. And I believe that. I believe that the Rubicon had been crossed; that the shaft was in the stone; and that by a slow and difficult process, we were going to extricate ourselves. I don't believe that there is very much room for maneuver within the efforts of any of these people. So, in that sense, I think it was a pumped up political issue and that Johnson was done wrong there again.

Now, when you take the whole witch's brew together, the Viet Nam thing, the domestic thing, the ugly nose, the breaking of promises, the secrecy, the unpleasantness--the whole thing has been stirred up into a brew and thrown on Johnson. I think it has been very unfair, and I think that history will wash his face of it; that he'll be very highly regarded.

Now, what's the reason for it? Lots of reasons. But I get back to the fundamental reason, the power of the written or the spoken word. There was a small group who felt so dispossessed and so shorn, I won't say of personal power because they never had personal power--I can't trace anything that Schlesinger or some of those others ever achieved in public service. They had personal glory and they had personal position. The trauma was so great when Kennedy was shot, and the feelings they wanted to get back so great that they had to find a vehicle. It couldn't be Lyndon Johnson. It had to be Bobby Kennedy. It was. I saw it all happen in the ADA, and then I resigned from ADA. It was Bobby Kennedy. It would have happened if the Viet Nam war hadn't expanded, because it started before that. It started on the plane from Dallas, and it augmented after that.

And if it hadn't been Viet Nam, it would have been his nose and his promises and his uncouthness; and they even ended up by saying that he had sold out on the domestic programs. So it started with Bobby, and then because Bobby wasn't in the race, they jumped to McCarthy, who had a 60 percent liberal voting record according to their own analysis in the Congress. It jumped to McCarthy. And I said at the time, when I resigned--I said these people are trying to move from the Truman Capote inner circle to the inner-White House circle. So they jumped to McCarthy. Then Kennedy got in and they jumped to Kennedy. Then Kennedy was shot, and they were trapped. And they conjured up McGovern and got him to run.

Then they said maybe Rockefeller would be better, you see. And then after demeaning and berating and tearing down Humphrey for two years, in the last few weeks they hire a hall in New York and say they're for Humphrey, and now are saying that they were really for him all along, either having

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so much pride that they thought they had enough power, you know, like a professor in a class, to tear a man down for two years and think if you decide to turn the switch the last weeks, everybody's going to be for him. Now, they defeated Humphrey. The margin--if one state, if California had gone for Humphrey, Nixon would not have had an electoral majority; it would have gone to the House which was Democratic. If three states, California and New Jersey and Illinois, had gone for Humphrey, he would have had 271 votes and been elected. I am convinced, although I can't prove it, that the margin of those three states was such that the result would have been otherwise if the young people or the liberals--

(End of tape)

INTERVIEWEE: LEON KEYSERLING (Tape 2)

INTERVIEWER: STEPHEN GOODELL

January 9, 1969 (Continuation of Tape 1)

K: I was saying that if California had gone for Humphrey, Nixon would not have had an electoral majority and it would have gone into the House, which was Democratic. If California and New Jersey and Illinois had gone for Humphrey, he would have won outright in the electoral college. Now, I can't prove it because nobody can prove it, but it seems to me that the margins of those three states was so small, and elsewhere, that if liberals and young people and others hadn't been horribly prejudiced against Humphrey by what these people I've mentioned were doing for two years, which they couldn't correct by jumping on the Humphrey bandwagon in the last week when the polls showed that they thought he might win and they didn't want to be left out entirely, that Humphrey would have been President of the United States.

Now, I think this is a very bad thing for them to have done in terms of their own values.

G: Were you in any way associated with the Humphrey campaign? Did you act as an adviser to him?

K: Yes, I was on the Humphrey task forces, and I've worked with Humphrey ever since he first came in 1948. But I was for Johnson, too. I mean, let's put it on the record that before Johnson bowed out, I was asked to serve and agreed to serve as chairman of the District Citizens Committee for Johnson-Humphrey. I had a first meeting, and we made a lot of plans. I had to go to Israel for a meeting of an economic conference there, and

when I stepped off the plane, they told me that Johnson was out of the race. So, I had one glorious week as chairman of the Johnson-Humphrey committee. And then, of course, I immediately became for Humphrey, even before he announced his candidacy, and throughout thereafter.

G: You said that you have known Johnson for a long time, ever since he was a freshman congressman. What kind of contacts have you had with him?

K: Well, they are varied. When he was a freshman congressman--he was first elected in 1936, and I first met him in late 1937 or 1938. I was Deputy Administrator and General Counsel of the United States Housing Authority. And around the end of '37 or early '38, we were awarding our first aid to the cities for low rent projects. We were going to start with three cities. One of them was New York; one of them was New Orleans, which will require no explanation; the third one was Austin, Texas. Now, it was sensible to have one of the first three projects in a small southern city, but how did it happen to be Austin? Because there was this first term congressman who was so on his toes and so active and so overwhelming that he was up and down our corridors all the time, and I became quite friendly with him. That's not why we awarded the project, but it was his go-getterness that got that first project for Austin. That's how I first got to know him.

Then he invited--called up and he said, "Lady Bird and I want you to have cocktails with us." I said, "How's that?" He said, "Well, we want Austin to be announced first." I said, "Well, why first? Mayor LaGuardia might not like that." He said, "Well, it's first in the alphabet, isn't it?" Well, we announced them all simultaneously.

Then I saw him from time to time, and I was interested in his election to the Senate. And after he was in the Senate, I visited with him

occasionally from time to time when he was in the Senate. I remember one time he wanted me to look into the matter of whether there was a threatened steel shortage.

Then when he became Vice President, I didn't see much of him. And since he has become President, I can't claim that I've seen him much. I've seen him from time to time; I have that inscribed picture that he sent me when the members of the council met, but I have [at] home two that I just got. In fact, one was sent to my wife who had written--she's director of--almost immediately after he became President, he appointed Mrs. Keyserling as director of the Women's Bureau of the Department of Labor.

G: There was some nastiness involved in that, as I recall.

K: Senator John Tower, who referred to the fact that Senator McCarthy had dredged up the fact that Mrs. Keyserling had signed a statement for the protection of the foreign-born in the early 1930's, the other signers being Eleanor Roosevelt and a lot of other people--that kind of thing. But it didn't amount to anything, and Tower was the only one of the ninety-six senators who opposed her, or the hundred--I don't remember which it was.

So that was almost as soon as Johnson became President. And Mrs. Keyserling recently wrote him a letter reporting on one of the activities that he was interested in, and he sent her back a letter. And then he had scrawled underneath it in his handwriting, he said: "I cannot tell you how much Mrs. Johnson and I appreciate the way you have sustained and heartened us in our recent troubles." Then he said, "I have been an admirer of Leon for the last twenty-five years, as I was of his old boss."

So, we've had a very friendly relationship. But Presidents don't use people much outside of the regular stream, and I have been critical of some of his policies. So I've not maintained a very close contact with him in recent years.

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By Leon H. Keyserling

to the

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