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President Meeting with Democratic Congressmen
May 27, 1968 -- 6:15 p. m.

The President met for approximately 45 minutes with the following Democratic Congressmen in the Cabinet Room today:

Brock Adams	Spark Matsunaga
Dante Fascell	Lloyd Meeds
Julia Hansen	Thomas Morgan (left early)
Floyd Hicks	Carl Perkins (left early)
Donald Irwin	John Rooney
Charles Joelson	Byron Rogers
Harold Johnson	John Slack
Abraham Kazen	Bernie Sisk
Richard McCarthy	Robert Tiernan
	Clement Zablocki

The President said the Country faces two principal problems - Vietnam and the fiscal situation. He discussed the Vietnam situation briefly.

On the fiscal side he pointed out that we are faced with deficits of \$20 billion this year and next year. He compared the budget when he came into office with the present budget and pointed out that the budget this year has \$10 1/2 billion more than last year - or \$6 1/2 more if the Burke motion carries.

He reviewed the history of his efforts since 1966 to obtain a Tax Bill and emphasized the government's need for an additional \$10 billion in revenue.

Art Okun presented a number of charts to point up what the lack of a Tax Bill will do in the way of price increases and inflation, increased interest rates and the effects on home building and savings and Loan associations, loss of gold, unfavorable trade balance, the consequences of the choke on credit by the Federal Reserve. Okun pointed out what was going on in these areas right now and then presented some charts to compare tax rates now and before the 1964 reduction.

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The President then gave various figures on the expenditures for Health, Education and Welfare, Social Security, Manpower, Poverty, and similar programs in 1961, 1964, and now.

The President discussed the Conference Report and said that if there were a \$4 billion reduction Defense would take one-half of it and if there were a \$6 billion reduction Defense would probably take one-half. He gave a general pattern of civilian cuts under the \$4 billion and \$6 billion reductions, emphasizing that he was not frozen to these and asked that they please not consider him frozen to these.

Mrs. Hansen asked if it were true that abolishing Foreign Aid would save only \$500 million, per the testimony of Rusk and Gaud. The President said that in fact more aid is needed in Vietnam but he would accept that testimony.

Zablocki asked why a 10 % surtax is better than a rate increase. The President says the term "surtax" was a mistake - but the proposed surtax does exempt the poor and a rate increase would not.

Okun enlarged on this explanation.

Byron Rogers and several others also objected to the term "surtax".

Brock Adams raised the question of the relationship of expenditures to appropriations and the President explained the situation to him.

Byron Rogers raised the question of the relationship of recent DOD supplementals to the possibility of reductions from DOD expenditures. The President said the recent supplemental was for Vietnam whereas any reductions would be non-Vietnam.

Tiernan asked questions about the amount of the deficit with and without a Tax Bill which Zwick explained.

McCarthy asked for the President's count on the Burke Motion which I said was not yet complete. Then McCarthy asked the President for some more information on the pattern of civilian cuts and the President again emphasized that he does not want to be frozen into the general pattern which he had previously set forth.

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Sisk said that he would go for a Tax Bill if he has to but that a rate increase would have been better. The President said that any way they want to do it so long as they get \$10 billion in additional revenue. Sisk then suggested that the rule provide for a substitute approach on rates and asked if the AFL-CIO would object to this. The President said that he thought they would. The President emphasized that if the Congress would just send him \$10 billion that would be fine and this package is the closest thing we have come to that end.

Fascell said that we ought to take this now and worry about the improvements later on.

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