

From the desk of . . .

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Juanita —

Here are some
rough notes on
yesterday's session
with the equity
managers.

Art

SERVICE SET

MEMORANDUM FOR THE FILES

ADH

6/27/76

24/a

Subject: Meeting with Equity Managers, June 26

Chuck Ravenel brought his group of about 15 equity managers to a meeting with the President. Fred Deming, Manny Cohen, Charles Maguire, Jim Jones, and I were also present. Joe Califano joined the meeting at the President's request after it was under way.

The President was in an unusually expansive mood. He spent 80 minutes with the group. Most of the time was devoted to his answering their questions (one from each of the guests). Jim Jones was obviously panicked about the President's schedule and the President seemed to enjoy spending the time as he chose. Nearly every topic under the sun came up, from grandchildren to campaign funds to problems of Government organization. What follows are some of my particular recollections.

The President reminisced on the conflict between business and Government during the New Deal. He said he thought that perhaps the most significant development in the past generation was the new social consciousness of business. Who could have imagined their leaving their own work behind to get into cities efforts? Who could have imagined the businessmen crying out: "please raise my taxes and hurry up"? He read parts of a very encouraging report on the peace talks, indicating a marked change in Hanoi's attitudes. (Another note on that was brought to him during the course of the meeting and he referred to it, working hard to restrain his optimism.) His emotion about the war came through in typical fashion: stories about his sons-in-law and the feeling that "it's even harder to send someone else's sons to die than one's own sons."

The President spoke about this decision of March 31, stressing his conclusion that the struggle for peace and the struggle for reelection wouldn't mix. He mentioned the costs of the campaign, the workload as minor factors. In passing, he referred to the experience of a small foundation he had set up that had gotten huge capital gains on local Texas common stocks.

He emphasized how many meetings he had had in the White House with private groups -- guessing that more people had been there in the past 5 years to talk to him than had met with the President in the preceding 25 years.

The first question from the group was on the long-term prospects for Federal spending as a share of GNP. The President went into a quite detailed discussion of the post-Vietnam defense outlook mentioning the \$60 billion

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benchmark figures, but indicating he regarded it as a lower limit. (He must have had a good memo or briefing on that recently from DOD.) We had to remain first in military capability and that wasn't cheap. Simultaneously we will have to meet urgent obligations in the cities. He told them what a big spender he had been, but he thought the country had got a great deal for the extra money. He stressed education and health. He guessed that both Federal spending and economic growth would march ahead rapidly, holding the share of GNP approximately constant: "20, 21, 22%."

The President was asked what they could do on the cities problem. He urged them to go out and spend some time in the ghettos, setting a good example, getting insight on the problems of the poor, and making clear the urgency to others. The issue is "build or burn," and we want to build. He mentioned the Harlem schoolchildren who had visited him in the morning because he couldn't go to them. He noted with regret the tendency for progress and unrest to go together. Perhaps earlier the poor had been too weak to rise up and rebel. This led him into Sam Rayburn's story about not wanting defense plants for his district. He also told a story about a Negro former aide who refused to drive the Johnson dog back to Texas from Washington, saying "It's hard enough for a nigger to find a place to sleep; it's impossible when he has a dog."

He was asked what he considered the most urgent problems facing his successor. He mentioned our relations with other nations and especially keeping our treaty obligations. He was very proud that freedom had not had to retreat an inch anywhere in the world during his presidency. Then he spoke again of poverty in the cities as the major problem at home. He thought all the candidates would recognize these problems and spoke very favorably of all of them in a nonpartisan way.

He spoke of the importance of getting top-grade public officials to advise the President. They should be paid much better so that Joe Fowler wouldn't have to be \$80,000 in debt to an Alexandria bank and Fred Deming wouldn't have to take a pay cut from his bank job. The manager of Mrs. Johnson's TV station earns more than the Secretary of State, and that is shocking. That led him into a tribute to Rusk.

In answer to another question, he said that his efforts to build bridges between East and West are already paying off and will continue to yield returns in the years ahead.

In response to a question about protectionism, the President reiterated his commitment to free trade. He mentioned the French trade measures

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and said that we had promptly gotten out a statement. "It didn't quite say an eye for an eye, a tooth for a tooth, but it made clear that that's the way we are thinking."

He stressed the importance of tapping intellectual and expert thinking to get new program ideas. He mentioned the Administration's task force efforts and asked Joe Califano to describe how they worked, using the Heineman task force on reorganization as an example.

There was a question about the lessons he would draw from the long uphill fight on the tax bill. The President expressed his hope that his successor might develop better rapport with the Congress on fiscal responsibility. He said he was convinced the President should have discretionary authority on tax rates but was not optimistic that Congress would give it. Their attitudes haven't changed much since they told Kennedy where to go with that proposal in 1962.