

The
PRESIDENTIAL
RECORDINGS

JOHN F. KENNEDY

➔➔➔➔ *THE GREAT CRISES, VOLUME ONE* ➔➔➔➔

JULY 30–AUGUST 1962

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Monday, August 6, 1962

“Marilyn Monroe Dead, Pills Near:” The President’s copy of this morning’s *New York Times* highlighted the event. Below the news of the movie star’s death was another front-page story, “Kennedy Presses For Safer Drugs.” In light of the Thalidomide scare, where an antinausea drug tested on pregnant women had left some babies with deformed limbs, the President was championing rigorous drug approval procedures by the Food and Drug Administration. The juxtaposition of the two stories seemed bizarre.

There was more bad news for the President. As expected, the Soviets had resumed atmospheric nuclear testing. They set off a huge 45-megaton blast over Novaya Zemlya on Sunday. The news from Geneva was no better. The Soviets were not even waiting for the formal presentation of the new U.S. and British nuclear test ban proposals to knock them down.

The President arrived in the office in time to greet a group of young musicians from Interlochen, Michigan, before their concert on the South Lawn. The morning was then taken up with meetings with McGeorge Bundy; the President’s military aide, Brigadier General Chester V. Clifton; August Heckscher; Arthur M. Schlesinger, Jr.; and the departing Yugoslav ambassador, Marko Nikesic. After the President’s customary midday break, he met with Najeeb Halaby, the administrator of the Federal Aviation Administration.

The only meeting taped that day was the last, with the chairman of the House Ways and Means Committee, Wilbur Mills of Arkansas. The President needed to sound him out on a tax cut. As the newspapers were making clear, the White House was on the verge of making a choice between a “quickie” tax cut in 1962 to stave off a recession that some were beginning to forecast and a permanent tax cut in 1963 designed less to prevent a recession than to achieve full employment, stimulate increased productivity and investment, and produce lasting economic growth. Without Mills on his side, the President knew that either option would be impossible, whatever the merits of the tax cut stimulus his advisers had proposed. As he once said to Theodore Sorensen, “Wilbur Mills knows that he was chairman of Ways and Means before I got here and that he’ll still be chairman after I’ve gone—and he knows I know it. I don’t have any hold on him.”¹

1. Theodore Sorensen, *Kennedy* (New York: Harper & Row, 1965), p. 426.

6:00–6:42 P.M.

Even if you hold defense down, space is going up, and there are enough other programs that are bound to be increased by law . . . but I don't see any problem with having a deficit because it at least keeps the . . . It's much better to have the employment and the economy going, even if you have some deficits, provided it's not excessive and inflationary.

Meeting with Wilbur Mills on the Tax Cut Proposal ²

Not yet sold on the economic or political propriety of his recent tax cut and tax reform proposals, President Kennedy was anxious to gauge the sentiments of Wilbur Mills, chairman of the most important tax-writing committee in the U.S. Congress, the House Ways and Means Committee, since 1957. Mills had already earned a reputation as a tax expert and as the imperious chairman of the one House committee that lacked a subcommittee to dilute its responsibility or influence. Known by many colleagues as “Ol’ Never Miss Wilbur,” Mills had also developed a reputation for sinking legislation he deemed difficult to pass. *Time* magazine once described his predilection for this behavior by suggesting that he “is not just a mule who blocks innovations but a leader who hates to lose.”³

Because legislation emanating from the Mills Ways and Means Committee always emerged under a “closed rule” permitting one or no floor amendments, Mills was especially wary of legislative proposals or provisions that might engender contentious floor debate or worse, an embarrassing defeat of the recommended legislation in the House. Though it would have been natural for the President to consult *any* chairman of the House Ways and Means Committee at this point in his deliberations, it is likely that he had Mills’s reputation for caution in mind as he invited him to the White House in the summer of 1962.⁴

2. President Kennedy and Wilbur Mills. Tape 7.1, John F. Kennedy Library, President’s Office Files, Presidential Recordings Collection.

3. *Time*, 9 February 1968, p. 18.

4. Ultimately, Mills would back a tax cut proposal and even helped Ted Sorensen prepare President Kennedy’s speech on behalf of the tax cut delivered later that year to the Economic Club of New York on 14 December 1962, the response to which seems to have convinced the President that the proposal might well succeed. “Oh, I was very strong for it,” Mills remarked in a 1971 interview, “. . . had been long before it was even born. This resulted from several meetings with President Kennedy in 1962” (Transcript, Wilbur Mills Oral History Interview

President Kennedy spoke privately to Wilbur Mills with apparently two goals in mind: He hoped to uncover the nature of Mills's economic thinking on the subject of the current economy and the tax cut proposal; and he hoped to draw Mills toward his own way of thinking on these matters, in both economic and political terms. Preparing an intelligence report for, and securing Mills a place at, the White House meeting to be held four days later with the President's chief economic advisers may well have been, indeed, the overriding rationale for this meeting.

Unrelated and undated fragment precedes main conversation; Evelyn Lincoln and unidentified male.

Evelyn Lincoln: And it's very different [*unclear*] . . . yeah.

Unidentified: Well, I think anyone, not knowing the difference . . .

Lincoln: Um-huh.

Unidentified: Walking up, would—

Lincoln: Think that was . . .

Unidentified: Would not really know of it once you . . .

Meeting with Mills begins in midconversation.

Wilbur Mills: . . . seems to be sluggish. We haven't gone as high or as far up as any of us would like to have had, perhaps as much as we should have; certainly we're not using full resources, either physical or manpower. All of that . . . but still, the committee is not convinced that we can make a case yet, that we are not making if we do this, susceptible to the charge of being fiscally irresponsible in the process.

President Kennedy: What about Arthur Burns . . . I thought . . . how was his testimony?⁵ Does he think we ought to have a tax cut now, or . . . ?

Mills: No . . . no. As I recall—

President Kennedy: He says prosperity bubbles but recovery may be over.

I, 11/2/71, interviewed by Joe Frantz, Lyndon Baines Johnson Library, p. 9). While the tax cut bill cleared Mills's Ways and Means Committee and the House of Representatives just before President Kennedy's assassination, it would not be signed into law until February 1964, under President Lyndon Johnson.

5. Arthur F. Burns was director of the National Bureau of Economic Research at Columbia from 1945 to 1953, a member of "Democrats for Eisenhower" and Eisenhower CEA chairman from 1953 to 1956, professor of economics at Rutgers University (where he taught Milton Friedman and Geoffrey Moore), counselor to the President in the Nixon administration for a brief period in 1969 and early 1970, and then Federal Reserve chairman from 1970 to 1978. Though he switched parties just before being appointed to the Eisenhower CEA, Burns remained sympathetic to some of the ideas and practices of Kennedy's economic advisers. He abhorred the wage-

Mills: Well, he takes a position, more or less, that, we're sluggish . . . I guess. That'd be the better description than that. But he didn't think . . . now here, if you'll notice . . . [*sound of pages turning*] he didn't think in terms of . . . of . . . I guess . . . tax cut, prorate, you see. [*Unclear*] there's no reason why we couldn't go to that first year. Now we have Saulnier.⁶ And Saulnier is somewhat of a disappointment to me. He was Eisenhower's man, right after Burns. He came after Burns. It's [*sound of pages turning*] over here on this page.

President Kennedy: For a minute I thought maybe . . .

Mills: Now, there he is . . .

President Kennedy: [*reading*] "Full recovery. . . . Not really . . ."

Mills: That's right. And he wasn't really for a tax cut . . . wants to reduce the burden of profits, cut expenditures . . . They—

President Kennedy: Like to cut, they all want to cut expenditures.

Mills: Well, that's what I'm saying. . . . They . . .

President Kennedy: Yeah, but they don't ever say what they want to cut do they? Anybody ever ask them what they want to cut?

Mills: Yes. Now with Burns, he was very specific. He was. I was amazed at that. I believe it was Burns, he gave us some high . . . He gave us some priorities.

President Kennedy: Okay.

Mills: He was very much in favor of what was already taking place in this area of cutting the military spending overseas. Buy here rather than over there.⁷

President Kennedy: That's right. That makes more spending, or it's more expensive.

Mills: Now . . . Yes, I know it does. But, one, I was thinking it was

price guideposts (though he would later urge guidepostlike activities in the Nixon administration) and believed that the administration Keynesians had adopted a simplistic worldview; yet he considered their modeling and forecasting to be excellent and generally believed that their confidence in their ability to tame the business cycle was not misplaced.

6. Raymond J. Saulnier succeeded Arthur Burns as chairman of the Eisenhower Council of Economic Advisers (1956 to 1961). Though he viewed the construction of the interstate highway system, launched under the Eisenhower administration, as a way to stimulate the economy during recession, Saulnier favored balanced budgets and did not support the call for a tax cut in the early 1960s. Most of his reluctance to support a tax cut rose out of his fear that the Democratically controlled Congress would enact tax cuts that would forgo too much revenue [see Raymond Saulnier, *The Constructive Years: The U.S. Economy Under Eisenhower* (Lanham, MD: University Press of America, 1991), pp. 74, 126].

7. Part of the overall program to limit the number of dollars paid to entities in foreign countries and to ameliorate the potential balance of payments problem.

Burns that had this idea, but one of them, of this more conservative group—with respect to the balance of payments—gave us an idea I hadn't really thought of.⁸ Our aid ought to be somewhat limited to the difference between our imports and exports. Let them know if we've got five billion dollars of surplus, if we've got four billion dollars, that's the extent to which we can go at the moment because of our problem of balance of payments.

President Kennedy: Well, you know, we have been tying aid more and more.⁹ We now . . . we had it at a billion-three last year.

Mills: Right.

President Kennedy: I think it's 800 million this year. The difficulty is . . . I have the ambassador from Brazil up here, and . . . Linc Gordon, and he says, of course, the few ties which we now try to do—50 percent—that means you have to cut out all schools, hospitals, and so on because they are mostly local cost.¹⁰ And he said Brazil could go Communist within the next year, without any trouble.¹¹

Mills: Maybe in spite of it.

President Kennedy: So that [*unclear*] is pretty tough. And then you try to . . .

President Kennedy: But, in any case, your judgment is—

Mills: [*Unclear*.]

President Kennedy: Yeah, they all want to get that tax down in front of . . .

8. The balance of payments is an ongoing record of the credit and debit transactions of a country with all other countries and foreign institutions. These transactions are divided into two groups, the current account—made up of visible trade (merchandise imports and exports) and invisible trade (services and foreign profits and interest earnings)—and the capital account—made up of net foreign investment. The balance of payments “problem” had come to President Kennedy’s attention largely because of fears that a liberal Democrat like himself would abandon sound monetary practices and that the U.S. pledge to redeem foreign dollar holdings for gold at \$35 per ounce might lead to a run on the U.S. gold supply (if too many dollars accumulated abroad). A transition economic policy task force, led by New York Federal Reserve Bank director Alan Sproul, also recommended that Kennedy pay specific attention to balance of payments effects as he framed his domestic economic policy.

9. This refers to the practice of tying U.S. foreign aid, often on a specified percentage basis, to the recipient country’s promise to use a portion of that aid to purchase exported U.S. products.

10. Lincoln Gordon was ambassador to Brazil.

11. See “Meeting on Brazil,” 30 July 1962. Ambassador Gordon did not say to the President that Brazil was on the verge of Communism. Richard N. Goodwin, deputy assistant secretary of state for inter-American affairs, the other participant in that conversation with the President, held the more pessimistic view of Brazil’s political future, though even he did not make this prediction.

Mills: Sure. Because they're saying this . . . actually what they're saying, and they didn't put it this way . . . I asked some questions about it. But what they're saying is this. To give the economy this temporary injection, it may have some effect, but the minute that injection wears off, it's just like medicine.¹²

President Kennedy: Uh-huh.

Mills: Then the basic problem you've got is still this business of the tax law itself taking more out of the economy than it ought to at levels of full employment, therefore defeating our purposes of ever getting to the level.¹³

President Kennedy: What I think, what I see is . . . is I think that, you know the Treasury thinks . . . The Council is more gloomy. Now, the reason I think they're more gloomy if I wanted to psychoanalyze the council would be that they participated in a judgment that was high—five-seventy, and therefore, now they're going the lower, and they feel that the only way to prevent this premature recession is to have a tax cut.¹⁴ Now they're . . . Let's say we got the . . . Leon Keyserling had that article—¹⁵

Mills: Yes . . . I read that . . .

12. Though there was an ongoing debate between those who favored a temporary versus a permanent reduction of tax rates, many political opponents of a tax cut in particular professed the belief that even a permanent tax cut would not have much of a stimulative effect after the first season.

13. The Kennedy Council of Economic Advisers suggested that should this kind of surplus prevail (via rapidly increasing revenues), it would prove to be a boon to credit markets in the short run and should open up medium- or long-term opportunities for additional tax cuts or new public expenditures.

14. President Kennedy is referring here to the Council of Economic Advisers and their most recent prediction for the nation's gross national product, promulgated in the 1962 *Annual Report of the Council of Economic Advisers* and transmitted to the President on 12 January 1962. The CEA had predicted a GNP of \$570 billion at the end of the second quarter, 1962; the actual GNP at that point stood somewhere between \$552 billion and \$557 billion. Having witnessed a rise in GNP from \$501 billion to \$542 billion in 1961, as the nation moved out of the 1960:2 to 1960:4 recession, the Kennedy CEA based their optimistic forecast for early 1962 on the continuation of this trend, renewed strength in private markets, and "current and proposed government actions" that would reduce unemployment to 4 percent by mid-1963. Though personal consumption increases generally conformed to their forecasts, the CEA was surprised somewhat by the slower than expected increase in government expenditures and by the reluctance of businesses to continue the buildup of their inventories at the fairly rapid rates that had begun to prevail in 1961.

15. Keyserling was a graduate of Harvard Law School and was appointed by President Harry Truman as a member of the first Council of Economic Advisers in 1946. He became chair of the CEA in 1950 and served in that capacity until Truman left office in 1953. As an adviser to Senator Robert Wagner (D-New York), Keyserling was instrumental in writing the Full-Employment Act of 1946 (signed into law as the *Employment Act*) which created the Council of Economic Advisers. Keyserling also advised Senators Allen Ellender of Louisiana and Robert Taft of Indiana. He became a prominent liberal critic of the Kennedy administration and characterized its economic proposals, throughout 1961 and 1962, as too timid and conservative

President Kennedy: —in the Sunday *Times* . . . about what he thinks ought to be done.¹⁶ Now, what do we do to . . . let's say we're going to get through this year. We'll have an upturn in the fall of automobiles and so on, so let's say we're going to be all right this fall, or reasonably all right, but that the recession will come on . . . everybody even says it'll either be late this fall—this recession—or it'll be in the winter or the spring of '63. Doesn't everybody admit . . . pretty much? Isn't that all your dope?

Mills: Some of them are as optimistic as the Treasury people were in here the other day.

President Kennedy: Yeah.

Mills: That it could come, up in '63 . . .

President Kennedy: Yeah.

Mills: Now, they're . . . Most of the economists think that we ought not wait until there's a recession.

President Kennedy: That's correct.¹⁷

Mills: We ought not look to see the signs of a recession.

President Kennedy: That's correct.

Mills: What they're concerned about is that the economy's not moving upward [*unclear*]. That we do this to get the economy to move a little bit more. Now the difficulty in the House and Senate, I think you would know better, you know the Senate better than I would, but certainly I think it's true, in view of the committee. You might be able to get the Congress to do this if we were in a depression, if we're starting downhill, and everybody could see we're starting downhill. And you could say that you thought that it was better to do this through tax reduction than to get busy with a whole lot of billions of dollars in additional public works, or something, or anything else of that sort you'd want to say. Now, at that particular time, the Congress would go with you, I think. But, I . . . I don't believe that they will support, because I don't think they're sufficiently aware . . .

with undue emphasis on balanced budgets and the balance of payments. "Tax reduction never cleared a slum, and tax reduction never increased a teacher's salary," he declared in 1969.

16. Leon Keyserling, "One Prescription for Unemployment," *New York Times*, 5 August 1962, Magazine section, pp. 10G, 56G–57G. Suggesting that the real unemployment rate was approximately 7 percent—after accounting for the full-time equivalent of the existing and widespread part-time employment—Keyserling pleaded with the administration to enact an immediate personal income tax cut and to make it retroactive to 1 July 1962.

17. Kennedy's firm response here came most likely from an earlier discussion of Senator Paul Douglas's opposition to the tax cut proposal. Paraphrasing William Prescott at Bunker Hill, Douglas beseeched the administration "not to fire until we see the whites of the eyes of the recession."

President Kennedy: Did this . . . did they, did the members of the Ways and Means Committee get shaken at all about the prospect for the economy?

Mills: No, because, most of these people say, we're not qualified to say when a depression is coming, or a recession. We're calling your attention to the fact that there is this much unused capacity within the United States, both physical and manpower. In the place of having a gross national product of 552 billion, it ought to be 30 billion more, in order to have unemployment down to 4 percent, or to have full plant capacity . . . and things like that.¹⁸ Now that's the way they're talking to us. But they would not tell us, and that was one of the points that one of the staff members made, that maybe this—

President Kennedy: [*aside*] Could you get that *Economist* magazine? [*Door closes.*]

Mills: Maybe this is a little bit, too brief in the economic outlook where they say downturn soon, or—

President Kennedy: Well, I've got them all summarized.

Mills: I know you have. I sent that record down here, hoping that—

President Kennedy: I've got—

Mills: There are several parts of it that you might take time to read . . .

President Kennedy: Well, I've got them to summarize it all.

Lincoln: [*delivering* The *Economist* magazine requested by the President] Here are the pages to read.

Mills: To get at . . . Well, I don't believe you get [*unclear*]. I know you haven't got time to read all that.

President Kennedy: No, but they did about a five- or six-page summary of each of them.

Mills: Oh, well. It was . . . The main thing I was thinking about was that you get a feel, through the questions of the members of the committee.

President Kennedy: Yeah.

Mills: And—

President Kennedy: I looked at those—

Mills: [*Unclear*] what bothers them, you see.

President Kennedy: Yeah.

18. CEA models suggested that were the unemployment rate at 4 percent, as opposed to the current 5.7 percent (August 1962), national output would have been approximately \$30 billion higher. The CEA estimate of the gap between actual gross national product and the output obtainable at full employment had narrowed from \$51 billion in the first quarter of 1961 to \$28 billion by the end of that year. The unemployment rate would not drop to 4 percent until December 1965.

Mills: And I've got on . . . I went into this with . . . And let me make this point with you, which I think is most important. Let us assume that half the people in the United States were sophisticated and fully informed and they took the economists' point of view. They wanted tax reduction, but the other half says, no that isn't the thing to do. And that's about the way I think it was, at the moment, frankly, [*unclear*] things get moving—instead . . . in spite of the Gallup Poll.¹⁹ You have 50 percent that say, "Yes this is a good thing." But then you've got a marked division in that 50 percent as to how it's to be done.

President Kennedy: Yeah.

Mills: And I asked, Ruttenberg today,²⁰ after we'd had George Meany and had him today,²¹ I said, "Now, Mr. Ruttenberg, just . . . most of the people appearing before the committee who've talked in terms of tax reduction have suggested tax reduction, as you're suggesting it. I think that probably we ought to take 3 percentage points off of each bracket as we go up and maybe 3 percentage points off of the corporate tax. Now, that is Walter's thinking."²² And I knew that, you know, from the hearing. "Maybe four even would be better, depending upon the circumstances. Seven and a half billion in one instance, ten in the other." I said, "Would the . . . would your organization support that?" He said, "No, we would be emphatically opposed to that. The only way to spur this economy is to put your tax loss, your reduction, in the first bracket."²³ Well, you see now, what you've got is . . . You've got business on the one hand, if they want a tax cut, wanting one type of a tax cut. You've got the labor groups on the other hand wanting a tax cut, but a different type of a tax cut. So you got a division within the people that want a tax cut. And we were talk-

19. A Gallup poll released only a few days before this meeting revealed that 72 percent of those queried said they would oppose a tax cut "if a cut meant that the federal government would go further in debt" (see "Gallup Poll," *New York Times*, 5 August 1962, p. 2E). President Kennedy downplayed the results at the press conference following its release and suggested that the results would have been far different if the poll had asked the respondents, instead, to consider a tax cut as a way to prevent a recession.

20. Stanley Ruttenberg was an AFL-CIO economist. See Nelson Lichtenstein, *The Most Dangerous Man in Detroit: Walter Reuther and the Fate of American Labor* (New York: Basic Books, 1995), p. 366, for a brief summary of how the George Meany-Walter Reuther rivalry affected Ruttenberg's ability to consult with the Kennedy administration on plans for a tax cut.

21. First president of the AFL-CIO, formed in 1955 out of the American Federation of Labor (dominated by craft unions) and the Congress of Industrial Organizations (dominated by unions organized principally on an industrywide basis).

22. Walter W. Heller was a former University of Minnesota economist and chairman of the Kennedy Council of Economic Advisers (CEA).

23. The first bracket is lowest income bracket.

ing today, Ullman²⁴ and Cecil King²⁵ and I were, as we broke up. They said, "Now you see where we are?" That's after I'd asked Ruttenberg these questions. "See where we are? Even if we made up our minds that we wanted a tax cut, we can't win, because we can't write one that either one of these groups are going to say, or both of these groups are going to say they want." So three-fourths of the people, finally, are going to say this tax bill is not what we want, and that is a danger. And you turn around and ask a businessman, and I've done that, if we want to increase consumption, we do it in the first bracket There's no doubt about that. That's where the people spend their money.

President Kennedy: Um . . .

Mills: If that's what we want, to create additional market, purchasing power, it's there. And Walter would tell you and you know it yourself.²⁶ But, the businessman would say that's not the kind of tax cut we need. What we need is a tax cut that engenders greater incentive.²⁷

President Kennedy: Of course, they are—

Mills: Inducement for—

President Kennedy: As I say, you know where they are [*unclear*].

Mills: Certainly.

President Kennedy: You know what this—

Mills: Give them an inch and they want a mile.

President Kennedy: This fellow now, [*reading*] "Dr. Otmar Emminger," this is from *The Economist* magazine, "director of the Deutsche Bundesbank, wrote a hard-hitting article in the *Frankfurter Allgemeine Zeitung* pointing out that the marked shift in cost, and the failure of the United States to notably reduce the overvaluation of the dollar . . ." This is *The Economist*.

24. Al Ullman was a Democratic congressman from Oregon and member of the Ways and Means Committee. He was first elected to Congress in 1956.

25. A Democratic congressman from California who became the second-ranking Democrat on the Ways and Means Committee in 1961. King was first elected to Congress in 1942 from a predominantly working-class Los Angeles district.

26. Walter Heller.

27. See President Kennedy's speech to the Economic Club of New York on 14 December 1962 in which he attempted to bridge the political gap between those who sought a tax cut to increase purchasing power and those who sought it as a spur to new investment ["Address and Question and Answer Period at the Economic Club of New York," 14 December 1962, *Public Papers of the Presidents, John F. Kennedy, 1962* (Washington, DC: U.S. Government Printing Office, 1963), pp. 875–81]. To the President and to his economic advisers, the ultimate goal was increased risk taking and increased investment in the private sector; increased purchasing power, rather than a supply-side tax cut, was, however, the proposed means to this end.

"Above all, Dr. Emminger speaks out against the widespread belief that present stresses on the dollar force the United States to take risks with its domestic economy." In other words, we're too restrained. "Nothing would harm the world economy and confidence in the dollar more than a premature slide of the American economy into a recession. As for the danger that official countermeasures may be inflationary, some experts indeed maintain the present circumstances of the United States are very difficult to bring any inflation about. A [*misreads, momentarily*] reactionary policy . . . a reflationary policy of the right kind, he points out could actually help the balance of payments, through its crucial effect in attracting private capital."²⁸

Well, now, the problem that I see . . . here's what I see. I think we've got . . . let's just halve these in Committee, but let's just say we're going to be through. . . . Paul Samuelson says the downturn will take place in the fourth quarter, but let's assume that he's wrong, and that we're all right this year on the plateau when the unemployment figures stay below 6 percent.²⁹ Then we get the winter of 1963, and the thing runs out of gas. Meanwhile we've sent up a tax bill, which has some reform in it.³⁰ You know that reform's going to have tough sledding, because . . . especially [*unclear*] the depletion or one of those things and it's never going to . . . it'll never happen.³¹ So, but in any case we do have a reduc-

28. See "The Business World: Reappraisal for the Dollar," *The Economist*, 4 August 1962, pp. 457–58. The Emminger quotation is on p. 458.

29. Samuelson was an economics professor at the Massachusetts Institute of Technology and unofficial economic adviser to the Kennedy administration. Before declining President-elect Kennedy's offer to join the administration as chairman of the Council of Economic Advisers, Samuelson chaired its transition-based economic policy task force.

30. As it was then considered, any plan for a tax rate decrease was to be accompanied by tax code reform. Though CEA chairman Heller was urging the President to consider one change at a time (tax cut first) and though general reform was eventually dropped in favor of a few specific changes (travel and entertainment expense deduction changes), reform proposals were, at this time, at the forefront of most tax policy discussions.

31. The reference was to the Oil Depletion Allowance. Created in the mid-1920s under the Coolidge administration, it allowed oil producers to exempt 27.5 percent of their income from taxation. The 27.5 percent figure had been adopted, according to Texas senator Tom Connally, simply because it sounded "scientifically determined," and was a provision designed to help oil producers offset exploration costs. Though Vice President Johnson believed that the Oil Depletion Allowance was an appropriate target for tax reform, he was also one of the first to remind President Kennedy that its removal might well jeopardize both other tax reforms and the tax cut since quite a few members of the tax-writing committees hailed from oil producing states. Afterward, Kennedy told Johnson and others to remind their "oil friends" that 10 percent of his trust fund was in oil, and that he would never preside over the destruction of his own wealth (see Bobby Baker, "Wheeling and Dealing," *Playboy*, June 1978).

tion. Our budget is going to be unbalanced, because our costs are just going up, and then you know every . . . You can see the way they add to everything and re-add. It's just built into the structure. Even if you hold defense down, space is going up, and, there are enough other programs that are bound to be increased by law so that we . . . but I don't see any problem with having a deficit, because it's . . . at least keeps the . . . It's much better to have the employment and the economy going, even if you have some deficits, provided it's not excessive and inflationary.

But . . . so we send the bill up, and you start hearings on it. You get through with the hearings at the end of March or April. We get it through the House in May, and Harry Byrd starts it in June and gets the bill from the floor in late August,³² like he does for, after all this tax bill, look how long he's taken with it.³³ We put this thing through in what, March or at the end of February? This thing . . .

Mills: He had it by the 15th of March, I thought.

President Kennedy: Started on the 15th of March . . . We put the trade bill through to what? April?³⁴

Mills: No, that didn't go until June, because—

President Kennedy: Yeah.

Mills: —we held it up.

President Kennedy: Now he's still at it. He won't even finish the hearings until the beginning of September and then we take it to the floor. So we won't get a tax bill through, even if we send it up, until September, and by then we'll be in the midst of a major recession. Then how do we look? What do you and I look like then?

Mills: Let me make this suggestion now. And this is a difficult, it's a political evaluation. I know that. We're faced with this very fact, that if you should request a tax reduction now, you might well not get it, and it would engender a terrific amount of criticism within the House at the idea of a tax cut. That, I think, we walk into with our eyes open. Now, you've got to evaluate, on the other hand, whether or not you as the

32. Harry F. Byrd, Sr., conservative Democratic senator from Virginia and chairman of the Senate Finance Committee from 1955 until his retirement in 1965.

33. *It* is the investment tax credit legislation. This credit, eventually signed into law later in 1962, was equal to 8 percent of investment in eligible machinery and equipment and was estimated to have improved overall corporate cash flow at the outset by approximately \$1.5 billion per year. It was proposed originally alongside a reform by which the federal government would begin to withhold taxes on interest and dividends, and, as a result, was designed to be revenue neutral.

34. The trade bill is the Trade Expansion Act of 1962.

President of the United States can be stopped even—when you know that—from doing what you think you ought to do, when you make up your mind what you ought to do.

Now, you've got to be able, I think, to evaluate the situation: Are we going to be in such a thing as a recession by the first of the year? Frankly, I don't know and I don't think our evidence before the committee would lead us one way or the other in that conclusion. Some of them, you could take one position and say to one fellow and say no, another yes.

President Kennedy: Yeah, and I don't have any confidence in these fellows either.

Mills: I don't either.

President Kennedy: Because, you know, we thought we were going to have a 570 . . .³⁵

Mills: I know.

President Kennedy: They can't tell. They can't tell.

Mills: They can't tell.

President Kennedy: But at least they can tell, I suppose, when it's starting to run out of gas, but they can't tell when the real downturn will—

Mills: Well, they're looking at . . . I think, frankly, that it's a mistake and I've had them admit it in the committee to take June or July statistics. I wouldn't believe either one of them as indicative of which way the economy was going, if they showed up or if they showed down. I'm not too encouraged by what I see from the July figures, frankly.

President Kennedy: Uh-huh.

Mills: I don't think you can tell too much by just one month or two months. I don't think you can tell particularly by the summer months. I've tried to keep up with these indicators myself.

President Kennedy: What is your guess as to what, you would, if you had to make a guess based on what you've heard and your knowledge [*unclear*]?

Mills: If I had to make a guess, based upon what I've heard, I would say that the situation at the moment is such: That some time within the next six months there will be a downturn.³⁶ I think that downturn may

35. A reference, once again, to the January 1962 CEA forecast for GNP.

36. A recession would not again plague the U.S. economy until the fourth quarter of 1969, 106 months into the Kennedy-Johnson expansion.

well be unless we have another stock market thing or something like that. It may well be the mildest we've had yet of any of these downturns. It may not come back too fast on the basis of what they're saying, but I do believe that there's no real reason for it to be serious, that is, to the extent of the '57 one even. I think it would be more like, this one that we were in in '60, and not get very low, be a plaguing thing, knock some unemployment up perhaps, but this whole thing could shift.³⁷ This whole thing could shift, and they all admit it. Every one of them. Businesses haven't got any real inventories. Well, now, if they had heavy inventories coming into this thing I'd be scared to death. They haven't—

President Kennedy: Well, now what is your bet—

Mills: Actually, this Keezer . . . this fellow Keezer . . .³⁸ He's a conservative, but he's . . . he works for Elliot Bell.³⁹ He and Elliot Bell take different views on these things a lot, but he's about the best-informed man I've ever known, too, on the intentions and plans of business with respect to plant and equipment. And he says . . . if I can find the page reference in here [*thumbs through record of Ways and Means Committee testimony*] . . . but I'd have them brief this, if I were you, pretty carefully, because . . . see, only with a reform . . . He thinks that it makes no difference whether we do it now or a little later.

President Kennedy: I've got it here.

Mills: That he doesn't see anything with respect to a shift in plant and equipment expansion of business to indicate it. Now that's his field. He hadn't gone into consumer indices and things like that, but I see they didn't pay much attention to what he said. [*Laughter.*]

President Kennedy: Now this is a boy who is pretty—

Mills: He's a little bit more conservative than some of the others, frankly.

President Kennedy: What about . . . what's your, well, now what will happen to, let's say I don't make . . . send up any recommendation now, and then, come next winter we begin to slide into this recession? Meanwhile you're beginning your hearings on this tax bill. We don't get a tax bill in September . . . we go into a recession—

37. Even though the official 1957 recession (1957:4 to 1958:1) was of shorter duration than the official 1960 recession (1960:2 to 1960:4), it was followed by six months of unemployment in 1958 (April to September) that exceeded the peak unemployment rate of the 1960 recession.

38. Dexter Merriam Keezer was an economist and the author of *New Forces in American Business; An Analysis of the Economic Outlook for the '60s* (New York: McGraw-Hill, 1959).

39. Elliot V. Bell was economics editor and editor of *Business Week* magazine.

Mills: No, you'll get it much quicker than that. You'll get one quicker than that. If you would go with us on the . . . on some simple idea . . . and it's got to be simple now. We could enact, I think, in the House, without too much trouble, if we're going in or if we are, and everybody sees now that we're in a downturn.

President Kennedy: Let me say something to you, now, just between us. This is . . . supposing we call them back, and if the Congress doesn't change much, and we call them back in November.

Mills: If you're in a depression, you'll get it.

President Kennedy: Well, let's just say that the signs are . . . I'm just thinking that for . . . if we, you and I, guess that the . . . Let's just say we assume that we guess that we're about to have a recession in the winter of 1963, and, as I say, most of our economist friends may . . . would probably say it's going to be sooner than that, but let's say that. Wouldn't we be better off, and . . . But on the other hand, if I go up and ask for a tax cut now, and Congress isn't going to give it to us, it's going to complicate the running for office of a lot of fellows who have to defend that the president's asked for a tax cut. It shows the economy's desperate; and, it shows the Democrats have failed to bring the economy back; and it shows that they're fiscally irresponsible. And a lot of bastards then come out and say they're not for a tax cut, and that . . . well, some will break with me. And in other words, it will make our problem almost impossible come November. That's . . . so that's, I think—

Mills: Your judgment is right about that.

President Kennedy: Ah, but let's say that we also know that come next winter we wouldn't get the bill and Harry Byrd would screw us even if you put it through the House. And by the time you get a rule out of Judge Smith snow would be on the ground.⁴⁰ But, let's say we come back, that the Congress doesn't change much, so that they couldn't say, "Well, this is a lame duck Congress." Let's say we can hold our strength reasonably well, then we could, if necessary, and if we saw this thing coming in a more immediate fashion, we could always go back, I suppose, in November, couldn't we?⁴¹ And then at least if the Congress didn't act, it would be . . . the responsibility would be . . . wouldn't be ours.

Mills: I had thought that probably that this might be a way out of it,

40. Howard W. Smith was a conservative Democratic congressman from Virginia who served as chairman of the House Rules Committee from 1955 to 1967.

41. Kennedy is talking about Democratic strength in Congress after the midterm election. Presidents have come to expect that their party will lose seats in a midterm election.

and, I know, there's been too much talk about your position, really. . . . And that might be indicated, as I see it, your position, there certainly has been too much talk, generally, about what we ought to do. I had thought this—

President Kennedy: I think it's unfortunate that Patman's having his open hearing.⁴²

Mills: I do too. But I think it's . . . I've been trying to figure out just what we would say, in the committee, that could be helpful and what you could say that would be helpful. Now, people want to have confidence. You know that, first of all. They want to have confidence in this whole system that we've got. They want to look on the bright side always. We can say that our concerns primarily stem from the fact, that there were some indications that our economy was not moving forward, uphill, at as fast a pace as we thought we were capable of moving. And we've looked into it. There are those who think that we've got some troubles ahead, at some time. We don't know when. Everybody is convinced that we are capable of greater economic activity than we're presently enjoying. But when it comes to reducing taxes, creating additional deficits, that is also a very serious matter. And it has to be . . . it has to be considered in the light of many factors. We're all for full employment. We want full employment. We want to do something about our balance of payments. We want to retain the confidence of the American people in our desires to run the government on a fiscally responsible basis. There are many factors that have to be considered. And I can't breeze to the conclusion, at the moment, that the situation is such that we need to further enlarge our deficit at the moment. Now, I'm watching the situation and I'm going to keep abreast of this thing, because I know that the American people would rather have some additional deficit in federal financing to a downturn in economic activities or a full-blown recession or depression that can cost us so much more.

42. Wright Patman was a populist Democratic congressman from northeast Texas who served in the U.S. House from 1929 to 1976. Patman, who once shared a desk with Sam Ealy Johnson (father of Vice President Lyndon Johnson) in the Texas legislature, was a frequent opponent of large banks and Federal Reserve policy (and their adherence, in his view, to a regime of high interest rates and tight money). Beginning in 1961, as chair of the Small Business Committee, Patman held hearings which over a period of several years detailed the tax avoidance techniques of large philanthropic foundations. Patman also served as chair of the Joint Economic Committee, then undertaking a series of hearings on the Kennedy tax proposals.

President Kennedy: Um . . .

Mills: And I shall keep abreast of this thing, and when I become convinced that I've got a choice to make between tax reduction and an increased deficit, and a recession, I'm going to take the tax reduction route. And I shall advise the Congress.⁴³ Now, there are many good things that we can look to in this situation. We've . . . we've got a very high level of consumer purchasing. There's been some shift with our employment. It's not as good as we want . . . the fall months sometimes are better than the summer months. Businessmen will admit that readily. Business still seems to have the . . . the desire to go forward with its plant and equipment changes . . . plans. And we've given them incentives to do that. We've given them incentives to do that.⁴⁴

Now, we'll watch this thing, and if . . . if it's necessary, I wouldn't hesitate to ask the Congress to come back. If it can . . . If it isn't necessary, we'll submit a plan of tax reform the first of the year, and then because of the time taken in connection with tax reform to enact it, if the situation requires it, I'll ask the Congress to do something about the rate of taxation while there's time to complete a program of tax reform. Now, there are a lot of people that would support the idea, I think, that you're watching this thing; you're not going to let it go down. And of course, politically, we can't let it go down. We all know that. And I'm going to make that choice. If I have to do something, if I have to recommend to the Congress tax reduction to keep us from going downhill, you can count on me doing it. But I'm not going to ask the Congress to create additional deficits and tax reduction until I know that I'm faced with that choice. Now, maybe, your people would say, "No, don't do that now because you might want to reduce taxes to boost an economy that's already going up the hill, just . . . at a little faster pace. That is the problem in the Congress, of getting the Congress to do that very thing.

President Kennedy: Yeah . . .

Mills: It's not with respect to tax reduction to prevent us from going downhill when we know we're going downhill.

43. A scenario nearly tantamount to passage in the House, for as Ways and Means member Phil Landrum of Georgia, noted in 1970, Mills's alert mind, experience, and ability to communicate with other members caused committee members "not to study so hard" [quoted in Mark Silbergard, *Phil M. Landrum*, Ralph Nader Congressional Project (Washington, DC: Grossman, 1972), p. 8].

44. Principally the accelerated depreciation allowance introduced earlier that year.

President Kennedy: Now, the problem . . . well the other problem is the question . . . the time that you—

Mills: You may have . . . and I was going to say that now, Mr. President . . . you may have to pay a little bit more price, and, that is, it may have to be more of a cut. We may have to lose more revenue, at a given time, because of the reluctance of Congress to act until it's maybe too late.

President Kennedy: Yeah—

Mills: It's a little later than it should be in your opinion or mine.

President Kennedy: Umm . . .

Mills: In the place of seven billion, it may have to be ten billion because the Congress has waited a little too long to accept the idea.

President Kennedy: How long . . . What is your view, Wilbur, of the problem of . . . let's say that we see signs that we're going to have the downturn in March, or April, or May or something of 1963. Or . . . how do we . . . ? What way is it that we . . . we get into the problem if that's going to tell you that it'll take seven or eight months for the Congress to act? By then you'd be in the middle of a recession.

Mills: Here's what I was thinking. We do something simple like this. We could say to the Congress . . . ask the Congress to pass legislation which will permit us to withhold from everybody this much less, you see.

President Kennedy: For a period of what?

Mills: Well, whatever time we think. The rest of the year, while the Congress is . . . And to write this change into whatever changes that the Congress makes on a permanent basis.

President Kennedy: We could actually do that if we had to. If we really were serious, as I say . . . if the Congress were not changed in complexion, we could always come back if we needed to in December to do that much, certainly.

Mills: Certainly. But that can easily be done. The Internal Revenue Service people . . . I know Mortimer Caplin can make changes within their withholding tables very quickly to accommodate that.⁴⁵

45. Caplin was the Internal Revenue Service commissioner from January 1961 to July 1964. He had taught Bobby and Ted Kennedy at the University of Virginia School of Law and now spearheaded the Kennedy administration's effort to pinpoint needed tax reforms, particularly proposals to eliminate business travel and entertainment expense abuses. When the so-called Kennedy tax cut was finally signed into law in February 1964 under President Johnson, reduced withholding rates were utilized, in the same fashion described here by Mills, to jumpstart the economy. In March 1964 the withholding rate declined from 18 to 14 percent, reducing overall withholding by approximately \$8 billion while the tax cut itself reduced personal income tax liability for 1964 by \$6.7 billion.

President Kennedy: So, it would just be a question of having the advice of Harry Byrd?

Mills: That's right. You'd say . . . say you think it ought to be, that we ought to withhold just 10 percent less, or maybe a hundred dollars a month, or [*unclear*] ten dollars a month. Whatever the figure is, they tell me they can work that out pretty quick. Now that doesn't affect your permanent rates at all, but for a temporary period you just disregard your permanent rate and take this much less. Now, that, I think is simple enough that we could do that pretty quick. And I don't know that we'd have to do much of a hearing on it. But if you get into what Walter's talking about, this adjustment of rates, you know and I know that they can't be temporary.⁴⁶ If once that's done . . .

President Kennedy: Yeah.

Mills: The Congress and you and I can get by letting it go back up. But now you can forgo this little old 10 percent or 15 percent, whatever, 40 percent, whatever you want to make it. We're just reducing this withholding for that period of time. And if you—

President Kennedy: Well, I think that makes sense. Well, why don't we . . . If we can just give . . . keep this to ourselves, because, we . . . I've got the problem of taking a look at this thing, as I kept saying, August 10th, and then, getting some statement. It may be that you and . . . if you could come down on that Friday, that August 10th, then we'll . . .⁴⁷ In the meanwhile, I'll be working on some satisfactory way of putting our case, and if we can just keep this to ourselves so we don't get the press, and have them—

At this point Mills began to offer brief summaries of a number of individuals who testified (on the economy and on the merits of various tax reform and tax cut proposals under consideration) at a recent House Ways and Means Committee meeting.

Mills: This . . . Here's another . . . there's another excellent statement that I wish you would ask them to let you just check. This man right here is a very, a very qualified person that . . . a public statement like that is well worth reading. Now this man, practically said that we were already in one [a recession]. He wants a permanent cut, not a temporary cut, you see, and he wants it into effect now. It's an across the board type

46. Walter is Walter W. Heller.

47. Mills joins President Kennedy and his chief economic advisers at the White House on this date for an additional discussion of the administration's plans for a tax cut (see "Meeting on the Tax Cut Proposal," 10 August 1962).

of a cut. Sporn is 20 . . . he's been in government and out of government, but he's not a president of this group that's . . . He's recognized as a very able fellow.⁴⁸ But there's, oh . . . this one's a disappointment for me.

President Kennedy: Really?

Mills: I expected great things out of him. He's born and raised in Bonham, Texas, . . . graduate of the University with me and he's in New York. I was a little bit . . . This man is from Boston. You know this one.

President Kennedy: Yeah.

Mills: I've known of him for years. He used to be down here in the government service. He was one of Fred Vinson's economic advisers back in—⁴⁹

President Kennedy: They, of course, all want these corporate tax cuts.

Mills: Oh, yes, yes. He says it'll be—

President Kennedy: Greenewalt any good?⁵⁰

Mills: Greenewalt was outstandingly good, very good, and he sticks to the idea of a tax cut for the individual, not for the corporation. But . . .

President Kennedy: [*Unclear.*] Oh, he got the wire?

Telephone call for the President.

Lincoln: Yes. He's on.

President Kennedy: Oh that's fine.

Begins speaking with someone on the telephone and begins writing in middle of conversation.

Hello? Hello, Colonel? Oh, well, listen, I'm awfully sorry to hear that. I hadn't realized that the situation was that way. [*Eight-second pause.*] I've . . . well . . . [*Fifteen-second pause.*] I know, well, my goodness, I didn't realize that she was as sick as that. I'm terribly sorry about that. [*Seven-second pause.*] Yeah . . . Yeah . . . [*Nine-second pause.*] Well, listen, she's—[*Eleven-second pause.*] Well, listen, you've both have been terrific to us. [*Ten-second pause.*] Well, you're very nice, Colonel, and I'm just awfully sorry. As I say, and until I heard today I had no idea that the sit-

48. Possibly a reference to Philip Sporn.

49. Fred Vinson was a member of the U.S. House of Representatives from 1924 to 1929 and 1931 to 1938 and a member of the House Ways and Means Committee from 1931 to 1938. Vinson was widely acknowledged as one of the leading authorities on matters of taxation in the U.S. House. Following Henry Morgenthau's resignation at the end of World War II, Vinson served as Harry S. Truman's secretary of the Treasury. He left that post in March 1946 to become the first chairman of the boards of directors of the International Monetary Fund and the World Bank.

50. Crawford Greenewalt was retired president and current chairman of the board of E. I. DuPont de Nemours and Co. President Kennedy would meet with him on 9 August 1962 (see "Meeting with Business Leaders on the Tax Cut Proposal," 9 August 1962).

uation was like you—[*Thirteen-second pause.*] Yeah . . . Yeah . . . Yeah [*Twenty-six-second pause.*] Well, you're . . . well, you're terrific, Colonel, and I'll . . . I hope to get a chance to see you this fall, anyway. Well, okay, Colonel. I'm awfully sorry. Good-bye. [*Sound of phone being hung up.*]

Mills: [*Unclear.*]

President Kennedy: Yeah.

Mills: He's a very fine economist. He's with this, Allied . . . machine tools . . .

President Kennedy: Yeah.

Mills: Machine tool [*unclear*].

President Kennedy: But the committee did not come out with an impression of what . . . any single impression?

Mills: Not that we need to do anything at the moment—

President Kennedy: Right.

Mills: —at least because of an impending recession.

President Kennedy: When do you figure . . . when are you going to finish your hearings?

Mills: Thursday.

President Kennedy: And when do you think that . . . What will you do or state as far as the committee goes?

Mills: Well, I'm not intending to release this right now. And I don't know what to say. I've got to say something, I guess.

President Kennedy: Why don't we do this? Why don't . . . let's see, Friday is the 10th, isn't it? That we were supposed to meet—

Mills: Yes.

President Kennedy: We're going to have . . . Why don't you come down to that meeting?⁵¹

Mills: [*Unclear.*] All right.

President Kennedy: [*President Kennedy's voice fades a bit as if he were walking away from Mills as he speaks.*] Then I will . . . let's say that I would put out some statement, appropriate, about . . . along the lines perhaps you suggest. I'll work on it this week. Then, you might put out a statement saying that you agree with that judgment, that based on your hearings . . . and then we'll be moving in concert.

Mills: If I release this thing, though, the Republicans are where they can pick this up right quick on the idea that we needed to do something. That's the trouble. [*Nervous laughter.*] It's—

51. Additional reference to the meeting proposed for 10 August 1962 with the President's chief economic advisers. Though Mills spoke very little at this meeting, he did attend.

President Kennedy: Well, I . . . yeah [*unclear*] what I would . . . you wouldn't have enough time to release yours, though . . .

Mills: Oh, yeah.

President Kennedy: It seems to me . . . I mean there's enough in there to say we ought to do it right now.

Mills: Well, if we rely on some of these people, there are conditions they effect. I mean Greenewalt and fellows like that. Now, this is a little bit of a misstatement, I think, about what he said on the expenditures. . . . I mean, he didn't say—

President Kennedy: Well, you know those guys, they . . . but they love to say reduce taxes in each proposal, [but] they aren't going to tell you that.

Mills: But he didn't—

President Kennedy: What they do, they get the government out of the agriculture business or some other foolish thing.

Mills: —tax cut should be accompanied by significant expenditure cuts, but he didn't say that.

President Kennedy: He said the ones we think were easier . . .

Mills: He told me that it would be helpful—

President Kennedy: Yeah.

Mills: —if you would make a statement [*unclear*] that you intended to sort of freeze spending at this level, if it could be done.

President Kennedy: Yeah.

Mills: And that you didn't have to cut out—

President Kennedy: You know how difficult it is, though. Because so many of this stuff is built in.⁵² Do you have a pen? I don't know if I've got one here . . .

Mills: Here's one.

President Kennedy: This is all right.

Mills: And it won't . . . and this one I had mentioned to you, and I'd read Joe Pechman because Joe . . . I think he's a very able—⁵³

President Kennedy: Let's see this one.

Mills: Pechman's not only—

52. Referring to budget increases.

53. Joseph A. Pechman was an economist and tax policy specialist with the Brookings Institution. Though, at this point, Kennedy seems unaware, Pechman had already been called on frequently to advise members and staff economists of his Council of Economic Advisers [see James Tobin and Murray Weidenbaum, eds., *Two Revolutions in Economic Policy: The First Economic Reports of Presidents Kennedy and Reagan* (Cambridge, MA: MIT Press, 1988), p. 4].

President Kennedy: He's a—

Mills: I wanted you to read that one because it's . . . it's very conservative.

President Kennedy: [*writing as he speaks*] Joe Pechman?

Mills: Joe Pechman, now, that came today. And I [*unclear*]—

President Kennedy: Well, and then I'm going to find out what Doug's going to say. I haven't seen his testimony.⁵⁴ He's been away.

Mills: I would read . . . well, now, he called me just a few minutes ago. I would read George Meany. George Meany I'm just fond of.

President Kennedy: Yeah.

Mills: This, this was a good statement.

President Kennedy: Right . . . Right.

Mills: I'd read that. You know who he is.

President Kennedy: Yeah.

Mills: But George Meany, I'm very fond of him.

President Kennedy: Yeah.

Mills: Get his idea. He wanted to—

President Kennedy: He sent me over that . . . a lot of that stuff. He's ready for a tax cut right now.

Mills: Oh, well, he is [*unclear*].

President Kennedy: [*Laughter.*] And Keyserling is always there . . .⁵⁵

Mills: Oh, yes.

President Kennedy: I keep wondering why Keyserling ever got in that '49 recession if he knows all these answers.

Mills: You know, I was in law school with Leon Keyserling. This is interesting—

President Kennedy: He can talk like a bastard, can't he? He's the most articulate fellow.

Mills: —really a very outstanding record in law school. He never studied economics in his life, I don't suppose—in school—any more than you and I did.

President Kennedy: Yeah.

Mills: May have had to take a course in college.

President Kennedy: Yeah.

Mills: And then when I found him, when I came to government

54. C. Douglas Dillon was secretary of the Treasury, January 1961 to March 1965.

55. Leon Keyserling was chairman of the Truman Council of Economic Advisers during the 1949:1 to 1949:4 recession.

down here . . . It was the old Senator Wagner in New York State had had him as his administrative assistant,⁵⁶ and he'd given him to Roosevelt, President Roosevelt, to put over in the slum clearance.⁵⁷ You remember Straus that was out here running it.⁵⁸ He was his general counsel. I was on the Banking and Currency Committee. So we was thrown together that way, and we renewed our friendship. We were friends in school. A very smart guy who we'd like to talk to and get the answers to prospective questions, you know. [*Chuckles.*]

President Kennedy: Oh, yeah.

Mills: Well, when Straus left, I came down here and talked to President Roosevelt, and suggested that he give him that job as the head of the slum clearance and he did for a while. Then he got to be an economic adviser to Truman. Well, now, his wife is a brilliant economist.

President Kennedy: Umm . . .

Mills: I've been in their home and had dinner with them. I think maybe she's got her doctor's degree in economics.

President Kennedy: Oh, yes. She taught at Sarah Lawrence.

Mills: Yes. She's a brilliant economist. Now I . . . I assume he's learned what he knows from her . . . because he was a lawyer.

President Kennedy: Yeah . . . yeah.

Mills: A graduate of Harvard Law School.

President Kennedy: So, I read that article yester[day] . . . Now what, Wilbur, I think that . . . that as I see it, your judgment would be that we . . . that we go ahead now, that we take a look . . . If it looks . . . begins to look really ominous in November or so, we can always come back.

Mills: Certainly.

President Kennedy: If you think it looks really lousy and, as I say in January, if the Congress is all chewed up and the Republicans win a lot and we go up in January and recommend it, that we state that . . . some of the plus and minuses signs now, and then . . . And I will issue a statement, and then you will say, based on your hearings . . . Probably, but I think, probably, our statement ought to come out ahead of you because if you issue a statement on Thursday—

Mills: No, I—

President Kennedy: —saying we shouldn't have one, then on Friday.

56. Senator Robert F. Wagner.

57. President Franklin D. Roosevelt.

58. Robert Straus, son of Jesse Straus, head of Macy's department store, was an NRA official under President Franklin Roosevelt.

Mills: No.

President Kennedy: Makes it look like—

Mills: No. I'd want you to have it first.

President Kennedy: Then if you—

Mills: But I would minimize, to the extent you can, the minuses.

President Kennedy: Yeah.

Mills: Because I think we're—

President Kennedy: We don't want to talk ourselves into it. If we're not going to do anything we'd better not—

Mills: That's the point. I think, I think if we hew to the line, that—

President Kennedy: —with unemployment down to 5.3 and so on.

Mills: That's right. That's it precisely.

President Kennedy: Now, the only thing is, to make sure that Leon . . . that Patman's hearings I've told . . . I went over Heller's testimony today, and, you know, he's saying a little of this and that, this and that, and so on. He isn't saying very much. I think it's unfortunate that they're having a public hearing. Because you see, when this talk about a tax cut started, which was way back in early July when we had this meeting with Samuelson. Except at that point this was the market that was in much more desperate trouble.⁵⁹

Mills: Right.

President Kennedy: You know the thing was looking like it might go through, the . . . through the floor this summer. Well, then that picked up some. Then I think we, of course, with the depreciation,⁶⁰ and then if we can finally get some sort of tax credit by,⁶¹ that would do quite a lot to help improve things.

Mills: The one thing that Keezer says, in addition to this other evaluation I was talking about, that was significant. I don't think I'd ever

59. Beginning with the fallout from President Kennedy's confrontation with the steel companies in April 1962, all stock market indices began to register significant declines, declines which persisted until midsummer and which were blamed on the President's antibusiness attitude. On 30 May 1962, for example, former Vice President Richard Nixon blamed the decline on the administration's "hostile climate toward business."

60. Accelerated Treasury Bulletin F depreciation guidelines, introduced by executive order in 1962. Viewing depreciation as a function of both "wear and tear" and technological obsolescence, the Kennedy CEA justified the new depreciation guidelines on the basis of updated replacement practices peculiar to the new era of technological progress and on data that revealed a small reversal of this trend in the late 1950s. These new guidelines allowed for a much more rapid writing off of capital investment costs than the previous existing guidelines [see the 1962 *Annual Report of the Council of Economic Advisers* (Washington, DC: U.S. Government Printing Office, 1962), pp. 132–33].

61. The investment tax credit.

heard it before. In 1929, when the stock markets went down, the total loss in values of stocks at that time was equal to 120 percent of our then gross national product.

President Kennedy: Yeah?

Mills: And that's why it makes such a major contribution to our well-being economically.

President Kennedy: Yeah . . .

Mills: But, this last reduction was less than 20 percent.

President Kennedy: Yeah . . . Yeah.

Mills: The total loss in that was less than 20 percent of our then gross national product, showing what has happened over the years. It's protection, of course . . . Securities and Exchange.⁶² These marginal operations and all that, that I don't know much about. But something has happened to where we can take [it] in stride. And he pointed out that the remarkable thing about it all was that it didn't have any more effect. You didn't find any dropping in real estate values to amount to anything. Not much change—

President Kennedy: [*Unclear*] paper loss in purchasing power . . .

Mills: When we take something there that was as damaging, perhaps . . . if it had happened in 1929, we'd have had a major recession.

President Kennedy: But I think the problem is . . . just looking at it tactically now, this week, is to keep the members of your committee—at least the ones who are our friends—in doubt so that . . . What we don't want to do is have Loftus and these others who are saying that we're not now going to definitely have it, that the President and the chairman thinks he can save it.⁶³ What . . . what we want to do is put out whatever decision we announce with sufficient, with impact, so we get all the benefit, so we don't have the Republicans saying, "Oh, well, the administration is . . . the economy's in trouble and they won't do anything about it." So, I think, if we can keep it vague this week, and if you say, "Well, I think, the President's waiting until he sees these August figures until we meet," and then you just say you're not going to make up in your mind until you've looked at the August figures and finished the hearings. Then we sort of put it to bed until we're ready to come out and do it, and then maybe I'd say—

Mills: I haven't said a word. I've told everybody that the only thing you can say about my position is that I'm always—

62. Securities and Exchange Commission, created in 1934.

63. Joseph A. Loftus was a business reporter for the *New York Times*.

President Kennedy: [*Unclear.*]

Mills: —a little amused at a suggestion of this sort. But, I'm certainly open minded, to having this borne of necessity.

President Kennedy: And I'll send you up . . . This is a pretty good article that was in *The Economist* this week. I'll send it over to you.

Voices begin to fade; President Kennedy and Congressman Mills sound as if they are standing and walking away.

Mills: All right.

President Kennedy: About the problem of the dollar. I'm more encouraged about that.

Mills: Well, everything before our committee was . . . you ought to read the record of it, plus the criticism by the Republican members, of course. But these witnesses, here's Burns, Saulnier and all of them practically praising—

President Kennedy: Yeah.

Mills: —how these things have turned out . . .

President Kennedy: Yeah, I think, we're doing . . . much better shape on that.

Mills: They all say that.

President Kennedy: Well, [*unclear*] think which way we can—

Mills: Well, [*unclear*] you decide to go. [*Unclear*] go to lunch with [*unclear*] Friday. Whatever it is, you're going to have to talk with Al Ullman. I don't much about [*unclear*].

President Kennedy: [*Laughter.*]

Voices trail off as President Kennedy and Congressman Mills departed; tape runs for an additional 1 minute, 37 seconds.

The President and the Chairman of the House Ways and Means Committee seemed to have reached an understanding. There would be no tax cut proposed this summer. Mills was reluctant to use Congress to take preventive economic measures. However if the economy started to sink in the fall, Mills agreed that there could be a special session in November or December to rush a cut through. Meanwhile, the President seemed to like Mills's suggestion of an invisible tax cut achieved by having the IRS issue a temporary reduction in payroll withholding rates.

Following this meeting with Mills, Kennedy had his domestic policy adviser, Ted Sorensen, begin work on a White House statement explaining why it was a no-go on a quickie tax cut.

The President finished his official day with a relaxing swim.