

[Jan. 26, 1964]

TV SCRIPT

SENATOR HUBERT H. HUMPHREY AND DR. WALTER HELLER

BOB COAR: This is Washington and this is Senator Hubert H. Humphrey of Minnesota. Today the Assistant Majority Leader has as his guest, Dr. Walter Heller, Chairman of the Council of Economic Advisers. Now, here is Senator Humphrey.

SENATOR HUMPHREY: Well, ladies and gentlemen, my guest for today is a very distinguished Minnesotan and a very able public servant. He is on leave from the University of Minnesota, so to speak, on loan to the President of the United States. He's Dr. Walter Heller, the Chairman of the President's Council of Economic Advisers. This is a very important position in our government. And as the chief economic adviser to President Johnson, he has figured prominently in the news here this week--news that relates, of course, to the preparation of both the Economic Message, the Economic Report and the Budget Message that have been submitted by President Johnson to the Congress. Dr. Heller was chairman of the Economics Department of our University before being brought here by the late President Kennedy in 1961 as the head of the Council of Economic Advisers. He's serving in the same role with President Johnson and I might add that he is doing an unusually fine and good job. I was with the President and Dr. Heller just this past week and I know how much President Johnson relies upon him and admires him. I can stand witness to that fact. Now, the first question I have, Dr. Heller, concerns the impact of the President's budget proposal--for our viewers and listeners here--just a few facts. The President is asking for expenditures in fiscal 1965, \$97,900,000,000. This is \$500,000,000 less than

we have been spending this past year. As President Johnson said in his Budget Message, the budget is a powerful economic force which can help or can hamper our efforts to achieve stable prosperity and steady growth. First of all,

Senator Humphrey:
~~Dr. Heller~~, as I recall, you have reminded us that for the past five or six years we have had relative price stability, is that correct?

DR. HELLER: Yes, our record of price stability in this country in the past five years is the best in the postwar period--any time of any period of expansion. And secondly, it is the best of any advanced industrial country in the world. Now we've had some creep of prices, but it has been less than any other time since the war and less than any other advanced country.

SENATOR HUMPHREY: Much less, for example, than Germany, or Italy, or France?

DR. HELLER: Yes, a third or probably a quarter of the advance in those countries.

SENATOR HUMPHREY: How do you view the future on that? Is there a possibility of the continuation of this kind of price stability?

DR. HELLER: Yes, I think there is a good possibility, even probability. I think we always have to have our guard up, especially when the economy is upward in full tilt as we hope it will be after the tax cut. We have to be on the lookout for increasing pressures, but I think that with the amount of resources that we have available, the unemployment--which is bad, of course. It's our worse single economic problem. And with the additional manpower coming into the labor force, and with our unused factory capacity, when the American people want to buy more, there's the manpower and the factory capacity to supply them. That is not a condition which is favorable to inflation.

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SENATOR HUMPHREY: Well, I know of no one that has reminded the elected officials of our government any more often about the seriousness of the problems of unemployment or the under-use of plant capacity than Dr. Walter Heller. So I'm

~~going to ask you now in your position as the chief economic adviser to the President and as a respected economist, what do you think will be the combined impact on our economy of the President's budget and the proposed tax reduction? How do you think that this will affect this nation economy of ours.~~

DR. HELLER: Well, Senator, as the President said in his economic message this past week, the combined impact of the tax cut and his expenditure program will give a bigger fiscal stimulus to this country's economy than in any other single year in history. In other words, when the tax cut goes into effect it will put \$800,000,000 a month more into the hands of the American consumer and will cut the corporation tax liabilities by a billion and a half dollars this year. In other words, during 1964 that would be at least an eight billion dollar addition to the purchasing power stream of the American consumer and a billion and a half for corporations.

~~SENATOR HUMPHREY: Now the total amount of released free capital as part of the tax cut for the consumer--that is, for consumer demand, what would be the total in one year?~~

~~DR. HELLER: Well, it will be this year in the neighborhood of eight billion dollars. When it's in full effect, it will be closer to ten.~~

~~SENATOR HUMPHREY: So it is fair to say that the tax bill really has the lion's share of the tax relief going to individuals and not corporations.~~

DR. HELLER: Oh, no question about that. The total will eventually be two billions for corporations and about ten billions for individuals. Not only that, but I think that there is an extremely well-balanced cut to stimulate purchasing power in the lower income groups and stimulate incentives in the upper income groups.

SENATOR HUMPHREY: Very good. Now, when we speak of the budget, Dr. Heller, we've heard so much about the cuts that have been made and I felt that this budget was sort of a declaration of war on waste and inefficiency and obsolescence and it was also a declaration of war upon poverty and disease and ignorance. The President has really laid down a program of action here. Certain cuts were made. Where were those cuts made and can we justify that type of cut in terms of our nation well-being and national security.

DR. HELLER: Well, Senator, I worked closely with the President on this budget and on this economic program and I must say that those who worked even more closely, namely the Director of the Budget and his staff, felt that without question that the President has used a scalpel, not a meat axe. In other words he has picked out with great precision those areas of the defense budget and of the space budget and ^{ly} of the particular atomic energy budget where the country really was better equipped than it needed to be, where we could maintain our full strength as a nation and still not produce an excess of plutonium, ~~not say~~ ⁵⁹ have calvery units that are out-of-date completely, ^{add} not produce obsolescent weapons, ~~and~~ I think that what he has done, essentially, is to eliminate waste and duplication and make this available for programs for people.

SENATOR HUMPHREY: And put a ceiling on government employment so to speak too. And not only a ceiling but push the lid down. He's lowered the ceiling.

DR. HELLER: To give you an idea of how detailed this examination of his went--now, I have a tiny budget, a smaller budget than the salary of the Chairman of General Motors. And you know I've sometimes said, what's good for General Motors might be good for the Council of Economic Advisers, but the President saw my request for two additional people on my little staff,

and he said 'can't you get along without them?' And I found a way to get along without them. In other words, he went right down to the very deep analysis of this budget.

SENATOR HUMPHREY: Now it is fair to say that the budget cuts that were made in the military and the Department of Defense were possible because, as I recollect not^W the President's explanation of this, and by the way he has kept the Congress fully informed all the way along that this process of budgeting was under way. From 1961 to 1964, from the day that President Kennedy came back from that conference with Premier Khrushchev in Vienna, 1961, 17 billion dollars of additional expenditures were added to the defense budget over and above what was the level of the last Eisenhower budget, so that we beefed up, so to speak, the military strength of our country. We've really given additional mobility, additional firepower; we're surely greatly expanded the missile, the nuclear missile program and the submarine and the polaris program, so we were in a position to make systematic, selective reductions without cutting into the muscle of our national strength?

DR. HELLER: Yes, the President has used the figure of speech of equipping your family with automobiles. Supposing your family needs two automobiles and you equip yourself with those, that's a big capital expense. Then you have to buy a battery or a tire or what have you, but you don't need to repeat that capital expense constantly and he thinks, correctly, that we are in that phase now. ^{S H H H} Now have we added anything to the areas of what you might call the people's programs, the welfare, the education and the type of program that would promote better living in America. ^{D H} Well indeed we have. There's a billion dollars in the budget for that, within this overall total. What we have in effect done is to cut down on the defense establishment

expenditures without cutting down on our defense strength and moved some of this over to the anti-poverty program to the manpower training and re-training, the youth employment opportunities, etc. It's a reallocation, not a cutback in the overall budget.

SENATOR HUMPHREY: And as I recall, we passed this last year in Congress, our higher education bill, our vocational education bill, our mental health and mental retardation act. These are all funded in the new budget, in other words, money is provided for the development of these programs in the new budget.

DR. HELLER: Yes, you know I think one of the striking things is last year there was a two and one-half billion dollar increase in the military budget. This year there is almost a billion and a half decrease. That difference of almost four billion dollars gives you sort of a measure of the leeway that has become available for financing the civilian programs.

SENATOR HUMPHREY: And really in helping lift the level and tone of our population in terms of skills, of education, of better housing, better health.

DR. HELLER: Well, in particularly the poverty-stricken areas. The idea is to get at the roots of poverty, the roots of poor education, of ignorance and disease and squalor, and to focus programs more sharply on these roots so that we at long last can overcome the shame of poverty in the midst of plenty. *→ go back to Page 2 as marked.*

SENATOR HUMPHREY: Now as I recall, one of your proposals, Dr. Heller, was to lower the rate of withholding taxes. Could you explain the president's proposals on that.

DR. HELLER: Originally, the tax bill that is now in the Senate...

SENATOR HUMPHREY: And which we are going to pass by the middle of February...

DR. HELLER: Is that a promise?

SENATOR HUMPHREY: Oh yes.

DR. HELLER: Well good. Then I can promise you a good year in the economy. It originally provided for dropping withholding rates from 19 to 16 per cent, a \$600,000 a month cut, but dropping it to 14 per cent will give you that extra push of \$200,000 more throughout the year.

SENATOR HUMPHREY: Now that goes into the workers' pay envelopes.

DR. HELLER: Right into the take-home pay, that's correct. And that's extra insurance against recession, extra insurance for a good strong, continued expansion through 1964.

SENATOR HUMPHREY: Well now those are good bits of news. This is the good news of 1964 and I'm very pleased to have here with me the doctor of the good news today because ..,

DR. HELLER: You're not going to name me ~~Dr. Heller~~ are you?

SENATOR HUMPHREY: No, I meant doctor of the good news. ^{DOCTORED NEWS (U)} The economic message which I hope every one of our constituents will study really is a review of achievement as well as an outline of challenge and I suggest that you write to your Congressman or to me or to my colleague, Senator McCarthy. We will send you a copy of the President's budget message and a brief copy of the economic message. These two together will give you the blueprint of action for the year to come as well as a record of the achievements of the last year and of the past few years. Dr., we are had very pleased to have you on this program. I want to thank you for the service that you give to your country. We in Minnesota are very proud of you. I might add as we conclude that a new, another Minnesotan has taken on a new and big job in Washington. And that's Carl Rowan who will be the new information director of the USIA, the director of the U.S. Office of Information.

So we are proud of Minnesota in its work in this government. Thank you.

MINN TV: Dr. Walter Heller

cc to Senator Humphrey

COPY BJ/ss

January 20, 1964

Dr. Walter Heller
Executive Office Building
Room 312
17th and Pennsylvania
Washington, D.C.

Dear Dr. Heller:

I am enclosing the introduction and tentative questions Senator Humphrey will ask you on the TV interview program that will be taped for Minnesota stations on Wednesday.

As you will note, I am not listing many questions since I figure the first one should get both of you off and running. I hope this is all right.

Best wishes.

Sincerely,

Bob Jensen
News Secretary

QUESTIONS FOR DR. HELLER

TV INTERVIEW PROGRAM

for

Sunday, January 26, 1964

to be taped on Wednesday

SENATOR HUMPHREY: My guest today is a distinguished Minnesotan who has been a friend of mine for a long time, Dr. Walter Heller, the Chairman of the President's Council of Economic Advisers.

As the Chief Economic Adviser to President Johnson, he has figured prominently in the news here this week playing a major role in preparation of both the Economic Report and the Budget Message that was submitted to Congress by the President.

Dr. Heller was Chairman of the Economics Department at the University of Minnesota before being brought here by the late President Kennedy in 1961 as head of the Council of Economic Advisers. He is serving in the same role with President Johnson, and I might add, doing his usual fine job.

The first question I have, Dr. Heller, concerns the economic impact of the President's budget proposal. He is asking for expenditures of \$97.9 billion. This is \$500 million less than we're spending this year. As President Johnson said in his budget message, the budget is a "powerful economic force which can help or hamper our efforts to achieve stable prosperity and steady growth."

As an economist do you think a budget cut of \$500 million will help or hamper our economy?

(MORE)

Other question possibilities:

What are the main areas of government spending where the President is proposing cuts?

Could you explain the President's proposals to lower the rate of withholding taxes this year?

I noted that both the Economic Message and the Budget Message pointed out that we've had price stability in this country for six straight years. Do you see a continuation of this?



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