

THE WHITE HOUSE

WASHINGTON

March 31, 1966

7:30 p. m.

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Mr. President:

The Cabinet Meeting is at 10:30 a. m. tomorrow, Friday, April 1.

The agenda is brief and simple:

A report from departments and agencies on how much and what they are able to cut back, re-schedule, postpone in the way of expenditures.

Sam Hughes of Budget is calling and checking with Cabinet officers and agency heads present to find out what they can report.

He is preparing a chart for the meeting.

ATTACHED:

1. Those who will be present.
2. Your opening remarks -- after which you would go around the room listening to Cabinet officers and agency heads tell you their plans.

Jack Valenti

THE FOLLOWING WILL ATTEND THE CABINET MEETING ON

FRIDAY, April 1, 1966 -- 10:30 A.M.

Dean Rusk	Secretary of State
Henry H. Fowler	Secretary of the Treasury
Robert McNamara	Secretary of Defense
Nicholas Katzenbach	The Attorney General
Lawrence O'Brien	Postmaster General
Stewart L. Udall	Secretary of the Interior
Orville Freeman	Secretary of Agriculture
LeRoy Collins	Under Secretary of Commerce
W. Willard Wirtz	Secretary of Labor
Wilbur J. Cohen	Under Secretary of Health, Education, and Welfare
Robert C. Weaver	Secretary of Housing and Urban Development
Bernard Boutin	Deputy Director, Office of Economic Opportunity
David Bell	Administrator, Agency for International Development
Glenn T. Seaborg	Chairman, Atomic Energy Commission
Leonard Marks	United States Information Agency, Director
Leland Haworth	Director, National Science Foundation
McKee, William	Administrator, Federal Aviation Agency
Lawson Knott	Administrator, General Services Administration

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2.

William Driver, Administrator, Veterans Administration

Farris Bryant, Director, Office of Emergency Planning

Gardner Ackley, Chairman, Council of Economic Advisers

Charles Schultze, Director, Bureau of the Budget

The Vice President is in Memphis "giving Congressman George Grider a boost" according to Bill Connell. Connell says they tried very hard to postpone the Memphis affair but were not successful.

Secretary Connor is out of town. Governor Leroy Collins will substitute.

Secretary Gardner has an important Congressional hearing on elementary and secondary school education. Under Secretary Wilbur Cohen will attend.

Sargent Shriver is committed to Senator Carl Hayden to do some things for him in Arizona. Bernard Boutin will substitute.



One of the newspapers, yesterday, said that I've been talking to business and labor about the economic situation. It may surprise you to hear me say this, but for once, the newspapers are right. That is exactly what I have been doing. I've been telling business and labor, mayors and governors, and bankers that this economy is in a period of transition -- and because we can do things better through voluntary action than compulsory law, the burden of results is on their shoulders.

Next to Vietnam, the biggest problem we have today is to balance expanding prosperity against the risks of overheating and inflation.

We've already taken several actions to help control the situation. On January 1st, we took \$6 billion out of the economy with higher payroll taxes for Social Security and Medicare. We put excise taxes back on automobiles and telephones. We increased income tax withholding, and we speeded up the payment of corporate taxes. But, in spite of this, there are some inflation danger signs we don't want to ignore.

Early this month I talked with the Governors -- yesterday I asked the mayors, and the night before last I asked the businessmen --

to refrain from starting programs or making purchases that will push up prices or labor costs. I told them that I was not asking to defer projects that are absolutely essential, but I emphasized to them that we cannot afford to have an attitude of "business as usual."

I've asked them to look at their budgets. I've asked them to look at their equipment purchases and find some which can be postponed. I've asked them to look at their construction projects and find those which can be postponed or stretched out. I've asked them to review all of their present plans to find anything which can possibly be deferred until we've got enough labor and enough plant capacity to match the amount of money we've got to spend.

But we can't expect such self-discipline from anyone unless we in Government practice what we preach. Our task is clearly cut out for us:

- I want you to defer or postpone as much construction as you possibly can without affecting the national defense.
- I want you to postpone buying any equipment that you can possibly do without.

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-- I want you to re-examine every one of your current

programs with an eye to postponing any action which

will place inflationary pressures on the civilian economy.

-- I want you to be sure that every one of your employees is

taking part in the Payroll Savings Bonds Program.

Now, we're going to go around the table, department by department,
and agency by agency to find out how we can do our part.

The Budget Bureau has prepared a chart to rate the various
Departments and Agencies -- to see who is making the most progress
in this very important task.

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MEMORANDUM

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Bill Moyles

MR. PRESIDENT:

THE WHITE HOUSE

WASHINGTON

April 1, 1966
4:30 p.m. Friday

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Here is a summary of what you told the Cabinet today:

1. Organize a special task force to work on housing, participation and asset sales - to make sure we are covering every base and take advantage of every creative idea.

You put Secretary Fowler in charge.

2. You ordered an extra push on savings bonds throughout the government.
3. You told Charlie Schultze to begin on Monday morning a series of meetings with Cabinet Officers and agency heads.

Object: To take as a goal - not as an order - a reduction by 10 percent objectives in new construction expenditures. They were to concentrate on the last quarter of fiscal year 1966 and on each quarter thereafter in 1967.

Schultze was to look at small savings items as well. . . such as flying economy instead of first class on commercial airlines.

Charlie Schultze will bring to you the plans of each department for their proposed reductions.

Jack Valenti

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 1, 1966

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MEMORANDUM FOR THE PRESIDENT

Subject: Economic News Note

For the week ended March 26, retail sales spurted 10% above the comparable period in 1965.

- Every category was up at least 6%. Many groups jumped 11% or more, including
 - groceries (with higher prices) up 11%,
 - restaurants, up 16%,
 - department stores, up 20%, and
 - lumber and hardware, up 17%.
- For the last 4 weeks combined, sales were up 10% over a year earlier.

Gardner Ackley



U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

April 1, 1966

Very Confidential

MEMORANDUM FOR THE PRESIDENT

March Unemployment

Unemployment went up in March to 3.8% -- from 3.7% in February.

The full details, to be available internally later today, indicate a generally stable employment situation.

The release date is next Tuesday. A fairly serious problem has developed with the press because of advance leaks of the February unemployment and price reports.

W. Willard Wirtz

W. Willard Wirtz
Secretary of Labor

Determined to be an
... marking
MIE 4/20/79



EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

April 1, 1966

MEMORANDUM FOR THE PRESIDENT

Subject: 1966 Budget Expenditures

Attached is a preliminary summary of the agency 1966 expenditure reports. The reports were not due in until today. These numbers were obtained by phone call last night, and may be subject to revision.

In total the numbers are much better than we expected last month. At that time we feared 1966 expenditures might run over \$107 billion. Now it appears they will be very close to the \$106.4 forecast in your January budget message:

1. Despite a \$400 million increase in Defense estimates and some slippage in financial asset sales, the total estimated increase over your January budget estimate is only \$76 million.

2. Major decreases below the January budget:

. Agriculture.....	-\$612 million
. HEW.....	- 300
. OEO.....	- 230
. AEC.....	- 60

3. Major increases:

. Defense.....	+\$400
. Housing.....	+ 364 (lower asset sales)
. VA.....	+ 180 (lower asset sales)
. NASA.....	+ 250

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4. If necessary, we can shift up to \$400 million of Defense spending from 1966 into 1967. Combined with the \$1 billion increase in revenues and assuming that the current estimates hold up, this could yield a 1966 budget deficit lower than the \$5.3 billion you forecast 15 months ago in your January 1964 budget message.

There is also attached a 1967 set of estimates, also obtained from the agencies by phone. However, I don't believe that such estimates are worth very much at this stage of the game. I wouldn't recommend that you pay too much attention to them.

Finally, there is attached a table showing, agency by agency, the 1967 expenditure effect of a 10% cut in construction contracts, carried out over the next 15 months. You will recall that the effect on administrative budget expenditures (-\$250 million) is much less than the effect on total contract awards:

- \$1.2 billion total 1967 contract awards including State and local funds
- .85 billion Federal share of contract awards.



Charles L. Schultze
Director

Attachments

Determined to be an
administrative marking

By MJE On 8/11/80

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1966 Expenditures
(In millions of dollars)

	<u>January Budget</u>	<u>Current Agency Estimate</u>	<u>Difference</u>
Agriculture.....	6,889	6,277	-612
Commerce.....	808	790	-18
DOD - military and military assistance	54,200	54,600	+400
DOD - Civil - Corps of Engineers....	1,245	1,275	+30
Health, Education and Welfare.....	7,662	7,362	-300
Housing and Urban Development.....	436	800	+364
Interior.....	1,242	1,307	+65
Justice.....	384	382	-2
Labor.....	522	484	-38
Post Office.....	878	868	-10
State.....	407	411	+4
Treasury:			
Interest.....	12,104	12,104	-
Other.....	1,325	1,324	-1
Atomic Energy Commission.....	2,390	2,330	-60
Export-Import Bank.....	-532	-400	+132
Federal Aviation Agency.....	800	800	-
General Services Administration.....	598	598	-
National Aeronautics and Space Administration.....	5,600	5,850	+250
National Science Foundation.....	365	355	-10
U. S. Information Agency.....	171	166	-5
Veterans Administration.....	5,177	5,357	+180
Office of Economic Opportunity.....	1,210	980	-230
Economic Assistance.....	2,100	2,100	-
All other agencies.....	1,093	983	-110
Interfund transactions.....	-647	-600	+47
 Total.....	 106,428	 106,503	 +76

April 1, 1966

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1967 EXPENDITURES

(In millions of dollars)

<u>Agency</u>	<u>January budget</u>	<u>Current agency estimate</u>	<u>Difference</u>
Agriculture.....	5,798	5,798	--
Commerce.....	923	923	--
DOD-Military and Military Assistance.....	58,300	58,300	--
DOD-Civil (Corps of Engineers).....	1,290	1,290	--
Health, Education, and Welfare.....	10,191	10,341	+150
Housing and Urban Development.....	-414	-414	--
Interior.....	1,322	1,322	--
Justice.....	405	405	--
Labor.....	522	522	--
Post Office.....	755	755	--
State.....	405	403	-2
Treasury:			
Interest.....	12,854	12,854	--
Other.....	1,393	1,383	-10
Atomic Energy Commission.....	2,300	2,300	--
Export-Import Bank.....	-309	-309	--
Federal Aviation Agency.....	840	840	--
General Services Administration.....	633	560	-73
National Aeronautics and Space Administration.....	5,300	5,300	--
National Science Foundation.....	425	410	-15
U.S. Information Agency.....	179	179	--
Veterans Administration.....	5,718	5,956	+238
Office of Economic Opportunity.....	1,600	1,600	--
Economic Assistance.....	2,200	2,200	--
All other agencies.....	929	929	--
Interfund transactions.....	-712	-712	--
 Total.....	<u>112,847</u>	<u>113,135</u>	<u>+288</u>

(April 1, 1966)



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Estimated 1967 Budget Expenditure Effect of
an Immediate 10 Percent Construction Deferral
(Direct, Grant, and Loan Programs)

Departments or Agencies

1967 Expenditure
Reduction
(In millions)

Agriculture	\$35
Commerce	17
Defense (excluding Civil Functions)	2
Corps of Engineers - Civil	28
Health, Education, and Welfare	60
Housing and Urban Development	35
Interior	35
Post Office	3
State-AID	*
Treasury	1
Atomic Energy Commission	3
Federal Aviation Agency	5
General Services Administration	10
NASA	3
National Science Foundation	2
Office of Economic Opportunity	1
Tennessee Valley Authority	4
U.S. Information Agency	1
Veterans Administration	5
 	<hr/>
Total	250

* Less than \$500,000

Note: Administrative budget only; excludes
approximately \$50 million reduction
in Highway Trust Fund expenditures.