

Theodore C. Sorensen Oral History Interview – JFK #6, 5/20/1964
Administrative Information

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Biographical Note

Sorensen was staff assistant, speech writer to Senator John F. Kennedy (1953-1961) and Special Counsel to the President (1961-1964). This interview focuses on economic policy, tax cuts and increases, the federal budget, the steel price increase, and the poverty program, among other issues.

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Theodore C. Sorensen

Theodore Sorensen

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JFK #6

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Sixth Oral History Interview

with

Theodore C. Sorensen

May 20, 1964

By Carl Kaysen

For the John F. Kennedy Library

KAYSEN: Ted, tonight I'd like to start talking about economic policy. The President [John F. Kennedy] campaigned during a period of recession and made much of the slow rate of economic growth as one of the themes in his campaign. When he came into office, with what expectations and plans on economic policy did he come in?

SORENSEN: Plans were essentially formulated between the election and the inauguration and during the first few weeks of the Administration. They were based upon legislation which had failed in the previous Congress, on the recommendations of Heller [Walter W. Heller], Dillon [C. Douglas Dillon], Bell [David E. Bell], and a scattering of others, including Ken Galbraith [John Kenneth Galbraith] and a Paul Samuelson [Paul J. Samuelson] task force. They were aimed, first, at recovery from the recession and, over a longer run, putting enough gas in the economy so that it would continue to grow at a more rapid rate. It's hard to say what his expectations were. The President was not a man who spoke much in terms of expectations. I think he had hopes that all of this would work.

KAYSEN: As far as immediate recovery from the recession goes, on what was the most reliance placed?

SORENSEN: Administratively, there was a lowering of interest rates and speed-ups in various highway, housing, and other expenditure programs. And there was passed quite quickly an emergency unemployment compensation program and a supplemental welfare program on aid to the dependent children of the unemployed. These plus the prospects which the business community could plainly see of greater spending by the Administration and a determination by the Administration not to permit the recession to continue probably did as much good as anything else.

KAYSEN: Was there any early discussion of the tax cut at all, and by early I mean in the period between the election and the inauguration and in the first month or two of the Administration?

SORENSEN: Yes, there was. The tax cut was discussed by a task force on taxation – which concerned itself primarily with tax reform and thought that a tax cut might be necessary to get the tax reform through – and by the economic task force which was concerned with ways of recovering from the recession. A massive tax cut was recommended then as the best alternative to massive federal spending, although they recognized it was not a likely solution by the Congress. The President refrained from including the tax cut in his initial recommendation but promised to take another look at it in the late spring, depending upon how the economy performed in the meantime.

KAYSEN: In fact, is it fair to say that the increase in military budget and the space budget essentially pushed the tax cut into the background at that time?

SORENSEN: No, the economy was doing better at that time and although Walter Heller was for a tax cut (again at that time) and I believe Arthur Goldberg [Arthur J. Goldberg] was also, Douglas Dillon was not. And as you point out, the additional spending programs were being recommended at the same time. It was a time when the President was calling for more sacrifice from the American people, and this might have seemed inconsistent had he asked for a tax cut.

KAYSEN: Perhaps the next major decision on taxes and budget issues after the big increase in military and space spending that was contained in the May, I believe,

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special message, came after the Vienna meeting, was a discussion whether there should be a tax increase or not recommended along with the call-up and other measures consequent on the confrontation with Khrushchev [Nikita S. Khrushchev] at Vienna. The decision came out against a tax increase. What in your recollection were the major factors that led to this conclusion?

SORENSEN: We came very close to having a tax increase recommended. Initially the President was for it, the Attorney General [Robert F. Kennedy] was for it,

the Secretary of the Treasury was for it. I believe the head of USIA [Edward R. Murrow] and possibly the Secretary of State [Dean Rusk] and others who were taking part in all this discussion said they thought it would help indicate to others around the world the seriousness of our determination. It was emphasized even more that we were asking all Americans to sacrifice, to participate; since only a few could be called up, this was a way that others had. The talk was in terms of a special Berlin tax. But it was not put across.

Unfortunately, the meetings which were putting together this program were primarily national security type meetings at which Walter Heller was not represented so that I was the only one present who opposed the tax increase. But in time Dillon came around to opposing it, also, and favored instead a reduction in domestic expenditures – a withdrawal of some of our legislative recommendations in education, health, and things of that sort. Well, this then brought other agencies into the picture. They said it would contradict everything the Democrats had always said – that we could afford both guns and butter, that there never would come a time when we weren't spending a good deal on national defense, when there wasn't some emergency which would justify the Congress cutting out these programs if the President signaled his agreement with that argument now. In the end the President decided against either a reduction in domestic programs or an increase in taxes, which was certainly the right decision.

KAYSEN: And in your recollection of these discussions and your own discussions with the President, to what extent was it the kind of arguments you've just reviewed about the political impact of either of these two decisions – a reduction in domestic programs or an increase in taxes – to what extent was it the more narrowly economic argument that we didn't need an increase in taxes that was persuasive?

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SORENSEN: Well no, I don't think that anyone had ever said that a tax should be imposed because we needed it in any meaningful sense of the word "need." The reasons for having the tax were more political and psychological, and therefore, they were being opposed on political and psychological grounds as well. I should add that the final decision embodies in it the pledge that if this increase in expenditures required an unbalanced budget in the following fiscal year, a tax increase would be recommended to pay for it. That, of course, since we were determined not to have a tax increase (and when I say "we" I mean really everyone who had some responsibility for the budget – the budget directors and the economic advisors and the Treasury) made us determined to find some way of submitting a balanced budget the following January.

KAYSEN: Well, let's talk about that. Why was the President attached to a balanced budget, or why did he think that it was important at that time? This was the first full budget that the President submitted for the fiscal year '63?

SORENSEN: I would say that the President's education in the economics of fiscal policy was only beginning to get under way. He saw the political advantages of

presenting a balanced budget which would undercut the Republican argument about Democratic deficit spending and which would appeal to the average citizen who thinks his own family budget and the federal budget are to be equated. And he did not fully see the economic arguments against that in relatively prosperous times, and he did expect fiscal 1963 to be a relatively prosperous year. Consequently, he did not feel that there had been any sufficient change in conditions – either economic conditions or international conditions – to justify his abandoning the pledge which he had made the previous July as a means of indicating every citizen's economic participation in the Berlin effort.

KAYSEN: At the time of the making of the budget I remember a great deal of importance was attached to the symbolic figure of a hundred billion dollars. The President was quite determined to keep expenditures under this figure. What significance did he see in this particular number?

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SORENSEN: Well, now my thinking on dates is uncertain. Was it the fiscal '63 or the fiscal '64 budget where he was concerned about breaking that ceiling? I believe it was the latter.

KAYSEN: I think you're right. It was the fiscal '64 budget, but let's talk about that for a minute. It carries this same theme. Why did he attach some significance to the figure of hundred billion dollar expenditure?

SORENSEN: The only significance was that it gave the Republican party and the press a handy stick with which to beat the Democrats. Most people, the President felt, paid very little attention to arguments about budgets and spending. The figures were complex and analyses were complicated, and whether it was seventy-seven or ninety-three billion dollars, the sums were so large that they were lost on the average citizen. But if the argument could be made that the Kennedy Administration had for the first time sent the budget over 100 billion dollars, that was a headline which the President preferred to avoid if he could.

KAYSEN: He must have been aware that at some point in the Administration he would, in fact, reach this number and that he would have to face the educational problem. Was he simply happier to put it off to a time when it was absolutely necessary?

SORENSEN: Now it's coming back to me. Douglas Dillon strongly supported this point of view because of the adverse effects that he thought that headline would have on the tax cut. Since everyone agreed that the tax cut was more important to our economic policies and to continued expansion than the difference between ninety-eight and a hundred and one billion dollars, the President agreed that that was an additional reason, and that made January 1963 an extra poor time in which to present a budget exceeding a hundred billion.

KAYSEN: Just to nail this point down, the problem here was an immediate tactical one, not any longer range question about whether the federal budget has to grow or not.

SORENSEN: That's correct.

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KAYSEN: Now in the summer of '62, there had been a discussion going on as to whether or not the tax cut should then be recommended to the Congress, and that discussion was finally resolved in the negative. What were the considerations that led to that conclusion?

SORENSEN: The basic considerations were that a tax cut in the summer of 1962: (a) was not an essential weapon to be fired at that time and, therefore, should be saved; (b) gave the appearance of political motivation and a more serious economic situation than actually existed prior to the congressional election; and (c) most importantly, would not have passed anyway.

KAYSEN: What was the basis of this last calculation essentially?

SORENSEN: The President was in contact with the various key people in the Congress, including committee chairman Mills [Wilbur D. Mills] of the House Ways and Means Committee who was against the tax cut at that time. And I believe the same is also true of Senator Kerr [Robert Samuel Kerr] of the Senate Finance Committee.

KAYSEN: In making up his own mind, to what extent was the President influenced by economic arguments about the necessity of the tax cut as a means of dealing with the unemployment problem; to what extent was he influenced by much less technical considerations as to whether it was an appropriate moment to talk about a serious economic problem or not?

SORENSEN: Well, I don't.... Are you presenting those as alternatives?

KAYSEN: Yes. Let me sharpen the question up. To what extent did the President feel that 5 or so, 5 plus as it was, rate of unemployment was in itself a serious political problem? To what extent did he feel that in order to justify a novel measure like the tax cut and a planned budget deficit (what a tax cut of any size would involve), he had to have a stronger basis for his argument than a persistent 5 per cent level of unemployment?

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SORENSEN: Well, the President was concerned about the 5 per cent level of unemployment, but he did not think that a tax cut would carry the Congress without overwhelmingly persuasive evidence that it was needed to save the country economically. And that kind of evidence was not present in August of 1962. Douglas Dillon said that a tax cut would be recommended as part of the tax reform bill which we had been committed all along to presenting as soon as the smaller tax bill, which had been going through the Congress since early 1961, was completed. And by August it was clear that this meant, in effect, a tax bill we were representing in January 1963. We agreed that that bill would include a tax cut which would be retroactive to January '63 – so that we thought we were talking about a fairly small difference in time as far as impact on the economy goes.

KAYSEN: The speech that the President gave at the commencement at Yale University in 1962 on economic policy and related matters talked about the need for out abandoning shibboleths with respect to balanced budgets and other matters in this area. To what extent did the President think of this as a political filer, to what extent did he think of it as really an intellectual exercise before an academic audience?

SORENSEN: By filer, do you mean a trial balloon?

KAYSEN: Yes.

SORENSEN: No, it was an academic exercise before an academic audience.

KAYSEN: And, in fact, was there much reaction to that speech? Did the reaction have any impact on people's further thoughts on the matter?

SORENSEN: The adverse reaction among businessmen and conservatives generally showed that debt and deficit spending were as unpopular as ever.

KAYSEN: Your previous comments suggest the conclusion that the final tax cut message to the Congress in 1963 and the President's pushing this program, which I guess had its culmination in a TV speech on economic policy and on the relation of the tax cut to unemployment which was in the spring of '63...

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SORENSEN: In September.

KAYSEN: ...in September of '63, that this essentially was the orderly sequence of a set of conceptions that had previously been worked out rather than any change of view on the part of the President or his advisors as to the nature of the economic problems confronting the Administration. Would that be a correct interpretation?

SORENSEN: Yes, although it was a little of both because economic conditions changed, political conditions changed, and there was no grand design in 1961 or early 1962 which foresaw passage of a tax cut in late 1963 or early 1964. But things worked out that way in a logical sense, and men's minds do change as events change.

KAYSEN: When the bill was originally presented in Congress, it had a fairly equal emphasis on tax reform and tax reduction. As the events developed, a good deal of the tax reform disappeared from the bill. To what extent was this viewed by the President as a regrettable necessity? How was his own interest really divided between these elements of the bill?

SORENSEN: The President was very interested in tax reform. He had been interested in it since the report of his task force on taxation. He had presented some reforms in 1961 and had obtained passage of some of them. He had planned to push for much broader reforms when that bill was completed. It certainly was a desirable goal as far as he was concerned. A tax cut, on the other hand, became, as far as he was concerned, an urgent necessity in order to boost the economy. Consequently, the August decision not have a tax cut in that year was softened by the pledge that a tax cut would accompany a tax reform bill the following January. From that time on, the tax cut loomed larger and larger in the thinking of the President and all members of the Administration, including the Secretary of Treasury who prior to that time had been concentrating on tax reform. It did not, however, loom as large in the thinking of Chairman Mills of the House Ways and Means Committee, without whose help we clearly could not get a bill through. Consequently, the President began by emphasizing to Mills and to the country tax reform accompanied by tax reduction. He gradually changed that to tax reform and tax reduction. By the time the Ways and Means

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Committee hearings were over, he had changed that to tax reduction and tax reform, and by the time the bill was on the House floor, it was tax reduction accompanied by a little tax reform.

KAYSEN: And the September '63 speech was in the last stage?

SORENSEN: Correct.

KAYSEN: Because that really was the speech that emphasized tax reduction. To borrow a horrible phrase, it emphasized planned deficits.

SORENSEN: It's your phrase. I don't believe that speech emphasized planned deficits. On the contrary, that speech showed that the deficit which would

incidentally result from passing a major tax cut was necessary in order to provide the greater income in tax revenues which in time would balance the budget.

KAYSEN: To what extent was this argument about the maximum tolerable size and duration of the deficit in terms of congressional and public opinion determining factors in the decision as to how big a tax cut the bill should embody?

SORENSEN: That's hard to say because work was going ahead on several things at the same time. On the one hand, all of the different agencies were developing their budgets as to what they needed, and while there is always some flexibility there, some programs – particularly military and space programs – do result in a certain level of spending. On the other hand, the economists were at the same time calculating how large a tax cut would be needed to have the desired effect on the economy without straining its limits too quickly, and these were combined with the Treasury experts' work on tax reforms and their calculations as to how much additional revenue they would bring.

All of this was watched by the President who was determined not to have a peacetime deficit greater than the peacetime deficit incurred by Eisenhower [Dwight D. Eisenhower] (which was about 12.8 billion during the 1958 recession). The last figured was unalterable, the others were juggled a bit until we came out with the right answer.

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KAYSEN: So it's fair to say that the President was determined that the political salability of this program depended on not exceeding a certain deficit. This, in turn, influenced the budget guidelines and the possible tax program, and it was a combination of the budget guidelines and the possible tax programs that ended up in whatever particular results there were.

SORENSEN: Well, I'm really trying to emphasize that it wasn't in that order. Budget guidelines had been set many months before. The tax reform was under way, and all of this came together when the President looked at it and found that it was below the Eisenhower deficit, and, therefore, that was fine. In fact, my recollection is that there were alternative combinations of tax reduction and tax reform presented to him which could accompany the budget which was reasonably well set in order to achieve any desired economic level. It was on that basis that the President made his decision.

KAYSEN: But to what extent did the economic advisors view the budget and deficit constraints as being too tight – that there was not scope enough for as big a deficit as they would have urged?

SORENSEN: I believe that the President basically decided in their favor on a tax cut of sufficient proportions to do the job they wanted done.

KAYSEN: We're now talking about the decisions that were made at the turn of the year – the budget and congressional message decisions that were made in October and Christmas-New Years holidays in Palm Beach, as I remember?

SORENSEN: That's where the final decisions were made, that's right.

KAYSAEN: By the time the President made the speech in September '63, how far had he gone in his own thinking toward a nontraditional, toward an economist's view of the functions of federal budgets; that is, the notion that a balanced budget really was not a useful one at all necessarily?

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SORENSEN: I think he was nearing that view but had not fully accepted it. He had certainly realized that the federal budget was a tool of economic policy not simply a set of accounts. He did realize that federal spending was helpful to the economy and that deficit spending was twice as helpful. But whether privately he had come to the conclusion that there was no need to balance the budget at any time, I don't know. He certainly did not come to it publicly.

KAYSEN: To your knowledge, did the President ever get into the discussion which the technicians and indeed the responsible officials in the Budget Bureau and the Council of Economic Advisors engaged in about the possibility of changing the basis of presenting the budget account; that is, the fact that the traditional, legislatively prescribed administrative budget is a poor way of portraying the economic effects of the budget...

SORENSEN: Yes, we did talk about that.

KAYSEN: Did the President ever come to a summary assessment of the political possibilities of doing this or the circumstances or the mode in which it would be possible to depart from the traditional public presentation of the budget account?

SORENSEN: I don't remember.

KAYSEN: The Budget director had made several speeches on this matter. You don't know whether they were discussed with or cleared with the President?

SORENSEN: I'm sure they were. The President had an interest in it, and I believe that small changes were made each year. But how far or fast he thought we could go in that direction, I just don't know.

KAYSEN: Just along these lines, on a very general and speculative question which I know what your characteristic answer will be, to what extent was the President sympathetic to Galbraithian arguments about the virtues of public versus private spending in a broad philosophical sense?

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SORENSEN: The President was very sympathetic, and he simply felt that given the alternatives of a ten billion dollar tax cut or an additional ten billion dollar federal spending above and beyond his normal budget increase, the latter was not a realistically available alternative.

KAYSEN: So that the tax cut was the only practical choice in the situation as it existed.

SORENSEN: That's correct. Galbraith and his economics student, Mr. Schlesinger [Arthur M. Schlesinger, Jr.], thought that the President's speech to the Economics Club in New York, a conservative business group, in which he presented the case for a tax cut was the worst speech the President had ever given and that it was full of Republican dogma and McKinley [William McKinley]-like phrases. There is some truth to the latter description, but it only goes to show the merit of the approach the President took in order to sell a ten billion dollar tax cut at a time when the economy was relatively prosperous and the budget was heavily out of balance. He remarked after the Economic Club speech that "if I can sell it to those guys, I can sell it to anyone." Actually, he had been somewhat skeptical and not very enthusiastic about the tax cut prior to that speech.

KAYSEN: Yet it was the conviction of some other, and perhaps economically more sophisticated, members of the President's staff that the worst speech they had heard the President make was his August '62 speech explaining why there shouldn't be a tax cut, and there were those who thought that this reflected the fact that his heart wasn't in it. Would you care to comment on that?

SORENSEN: It certainly was the worst speech he ever gave. That I am willing to say without qualification. It isn't, however, so much because his heart wasn't in it, but that a speech announcing you're not going to do something cannot be a very exciting speech. And economics are not very exciting under any circumstances. Consequently, the September 1963 speech in favor of the tax cut – which is, after all, a more appealing message to the average homeowner, (I should say, average television listener) – was worked on with great care for the simplicity of approach.

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KAYSEN: But to continue this personal observation, some of exactly those same commentators – in fact the same two commentators, Walter Heller and

myself – who thought that the August '62 speech was so bad, thought that the September '63 speech was a masterful speech....

SORENSEN: That's right.

KAYSEN: ...and had a tremendous appeal. While you're being interviewed and I'm the interviewer, let me add into the tape that Walter and I saw the President after the speech, we watched it in the White House and talked to him afterwards, and he himself felt that it was a very successful and appealing speech, and he had that reaction of a man who thought he'd done a good job immediately after he had made it.

SORENSEN: I think that's right. Thank you.

KAYSEN: Perhaps the next major item in economic policy is the question of interest rates, monetary policy. The President used to meet fairly regularly with the Secretary of the Treasury, the chairman of the Board of Governors, the chairman of the Council of Economic Advisors and the Budget Director. Did you usually attend those meetings?

SORENSEN: No, I attended them only twice. I attended the first one and was persuaded thereby that my time could be more usefully spent elsewhere. There was very little going on at the meeting, and what little there was I didn't understand. Later on I attended at least one meeting of the group which was devoted to the President's special balance of payments message. But aside from that, I did not attend.

KAYSEN: But the regular business of this group was to discuss monetary policy – the interest rate and Federal Reserve policy and matters of that sort. So you are not particularly aware of the President's views on these discussions?

SORENSEN: That's right.

KAYSEN: To what extent did the President ever indicate his general inclination as between the Treasury-Reserve Board's view and the Council of Economic Advisors-Budget Director's views in this set of matters?

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SORENSEN: In general, or on interest rates?

KAYSEN: On interest rates and monetary policy. Let me make it a little more specific. It's the traditional concern of the chairman of the Board of Governors [William M. Martin, Jr.] to worry about inflation and to look hard for inflationary dangers, and, to some extent, the Secretary of the Treasury is in the

same position. Did the President ever express himself on this range of issues to your knowledge?

SORENSEN: I don't believe he thought inflation was a major threat at any time. He wanted to be able to answer a question as to why it was not, and he was very anxious that prices and wages not push up so fast that our competitive situation would be worsened. He foresaw the day when the tax cut might create some inflationary pressures. I don't believe he thought general price inflation was a problem during his Administration.

KAYSEN: Speaking of prices and wages, we might talk a little about the steel price increase and the events attendant on that. To what extent would you say that that whole set of circumstances was primarily a matter of economics or primarily a matter of politics and a challenge to the presidential authority.

SORENSEN: Well, certainly we should not use politics in the sense of partisan politics. It was a challenge to the presidential authority, and it was a breach of the President's trust. That factor more than the economic factor probably aroused the President to the heights to which he was aroused, but his economic concern was valid and had those economic arguments not been present, he probably would have in time dismissed the political factors.

KAYSEN: Was the President himself involved in the earlier stages of the negotiation that led up to this situation, namely the negotiations with the steelworker and with David McDonald?

SORENSEN: I don't know how much he was directly involved. He had the previous fall sent out letters to all the steel companies. He had indirectly through Arthur Goldberg indicated his concern over the bargaining going on

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between the union and the companies. He had, I'm certain one at least on occasion, met with the parties – both sides – to express his concern that both a strike and an inflationary wage boost be avoided. At the time the agreement was signed, he telephoned both parties to express his pleasure at that result – because he assumed that was the result – and I remember him telling me how the President of the steelworkers, who had actually made the largest sacrifice, responded very heartily and loyal. Mr. Copper [R. Conrad Cooper], the chief negotiator for the companies, had responded very coldly. Later we speculated as to whether that might have been because Cooper knew that a price rise was in the offing.

KAYSEN: There's no doubt in your own mind that a clear bargain had been made in the sense that it was clear to both parties – the union and the steel

companies – that the government was going to use its influence so that a union wage settlement of a noninflationary character would be made, and the implication was that the other part of this bargain was that there would be no price increase?

SORENSEN: Let me see if I can word that a little more precisely. It was clear to all concerned that the purpose of the government's intervention – which was accepted by both parties without question or dissent – was to achieve a labor settlement which would make a price increase unnecessary.

KAYSEN: In the interests of even further precision, it was clear to both parties that the government was doing this because it thought a price increase undesirable?

SORENSEN: That's correct.

KAYSEN: And, therefore, the implication was plain that the quid pro quo involved on the part of the companies was no price increase.

SORENSEN: Not a quid pro quo...

KAYSEN: Well, provided the government, in fact, the intervention achieved the result that it did achieve.

SORENSEN: That's right, but it wasn't a quid pro quo because if the government achieved the result that in fact it did achieve, it would not be necessary for the companies to raise their prices.

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KAYSEN: And I'm trying to push on to say further that not only would it not be necessary but they had made themselves parties to a transaction which recognized that it was undesirable and, if not necessary, then should not be done.

SORENSEN: That's correct.

KAYSEN: And there's no doubt in your mind that this conception of a tripartite bargain was clear in the minds of the executives of the steel companies as well as the executives of the steelworkers' union as well as the President of the United States?

SORENSEN: I can only say that any reasonable and intelligent and perceptive man could not have avoided that conclusion. However steel executives themselves will have to testify as to whether they come under that category.

KAYSEN: And the President himself was quite aware of the stages of the negotiations?

SORENSEN: Very much so.

KAYSEN: They were carried on mostly by Arthur Goldberg who was then Secretary of Labor?

SORENSEN: Yes, I don't want to imply that he was acting as a federal mediator – (it hadn't reached that stage). But Arthur, who was a former counsel of the steel workers, knew both parties intimately and had certainly made clear the government's position and brought influence to bear on the parties for that purpose.

KAYSEN: I don't know whether you have any reason to know whether all this information was known at the time to the President of the steel company, to Roger Blough [Roger M. Blough] as well as to Conrad Cooper, who in fact was carrying on the negotiations.

SORENSEN: I don't remember.

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KAYSEN: You don't have any specific knowledge that occurs to your recollection of whether Blough was involved, whether the President talked to Blough during the course of these negotiations.

SORENSEN: Well, I have a vague recollection that he did, but I will have to check. I think the documents will show that.

KAYSEN: Now, were you present when Blough called on the President?

SORENSEN: No.

KAYSEN: Did you see the President shortly afterwards?

SORENSEN: Yes

KAYSEN: What was his most immediate reaction?

SORENSEN: Fury.

KAYSEN: In what terms?

SORENSEN: He felt that the steel companies' action, by accepting the government intervention to put pressure on the steel unions and waiting until the final

contract by the final company with the union was signed, then announcing a price increase, and doing it in a manner which smacked of an arrogant attitude toward the President – handing him a mimeographed statement which had already been released – was a direct challenge to him personally and to his office and was a threat to all of his economic programs. He said he did not see how he could ever appeal to any other union to restrain its wage demands; he did not see how he could prevent a steel price increase spiraling through the rest of the economy; he did not see how he could protect our balance of payments with that kind of inflationary pressure, how we could avoid having the economic gains of recovery eaten up through inflated prices. It would add more to the budget. He regarded it in every way as a disastrous move. It was at this point that he made his famous quotation of his father [Joseph P. Kennedy]. I was there. I heard it very clearly. He said, “My father once told me that all steel men were sons of bitches, and I did not realize until now how right he was.”

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KAYSEN: All that you’ve give is substantially what the President said at the time?

SORENSEN: That’s right.

KAYSEN: When did he determine on the course of action which he took, namely of public appeal combined with private appeals to other executives not follow the U.S. Steel lead? How and when?

SORENSEN: Well, the public appeal was, in effect, decided upon that night. I had been standing outside his office, as I believe Walter Heller had been also, waiting for the first of two reviews which usually preceded his press conference. He had a press conference scheduled for the following afternoon. Instead of that, he and Walter and I and Arthur Goldberg whom he had called over when Blough first came in...

KAYSEN: Excuse me, Ted. Was the Blough visit unexpected? This was a visit on very short notice. Do you remember just what happened? Did Blough call up Kenny O’Donnell [Kenneth P. O’Donnell] and say he wanted to see the President? With how much notice?

SORENSEN: A few hours.

KAYSEN: And did you or the President guess what this was about?

SORENSEN: No, I didn’t. I knew nothing about it. No one did. So at any rate, we decided that night that there would be a statement at his press conference, and he also said we should think what other weapons were at our command. Arthur and Walter, Kermit Gordon, who was with Walter, and I went back to my office and talked briefly about the nature of the statement, and I gave a list of kinds of acts

and figures I thought we would need for that purpose. Walter and his people with the help of the Bureau of Labor Statistics worked on that through the night.

I might add that that night was the night of the White House reception for the members of Congress, a very elegant dancing party. And the previous year's White House reception for the members of Congress was the night of the Bay of Pigs. The President commented on that, saying he couldn't do much work on the

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statement himself that night, but he would contact a few key members of the Congress, and then remarked, "I don't believe we'll ever have another one of these receptions."

The next morning at the breakfast on the press conference, steel was the chief topic of conversation. The President had already talked that previous evening to Senator Kefauver [Estes Kefauver] and asked him to issue a statement, which Senator Kefauver was delighted to do, and he may have talked to some others. At breakfast he was more determined than ever to press on. He talked in terms of sending legislation to the Congress which would roll back this price increase or break up the steel industry or provide for greater government role in the price-setting process and so on.

I felt that we should first concentrate on the statement and express as much of the President's feeling there rather than in any message to the Congress which contained legislation he could not pass and might later regret. I spent most of the rest of the morning and lunch hour working on the statement, and each suggestion from the President and Attorney General made it stronger instead of weaker. The finishing touches were actually applied in the President's limousine on the way over to the State Department auditorium. After the press conference, we talked briefly about what could be done.

I believe the first broad meeting was scheduled for the next morning. To this came the members of the Cabinet representing Justice, Labor, Commerce, Treasury, and Defense – the latter two because the President respected their knowledge of businessmen – and the chairmen of the FTC [Federal Trade Commission] and the Economic Advisors, myself. At that time, I believe, the suggestion was made that every effort be made to persuade those companies which had not yet joined in the increase to refrain from doing so. It was decided that in view of Blough's scheduled press conference that afternoon that Secretary Hodges [Luther H. Hodges] would have an answering statement later in the afternoon. Inquiry was made as to what could be done by way of making certain that the government purchased its steel from the lowest priced sources and...

[END OF TAPE]

...in a general way assignments were handed out, and the

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President asked all of those present to coordinate their ideas and activities through me to him.

KAYSEN: The upshot of the effort was that, in fact, you found one or two steel

companies which were willing not to follow. Is there anything special to say about the circumstances in which this was done?

SORENSEN: No. Most of that has been widely reported. Initial conversations were made by others. The President had conversations himself. We had another meeting Friday about noon and when word came that Inland, Kaiser [Edgar F. Kaiser], and one or two others appeared to be holding up, Bob McNamara [Robert S. McNamara], on the basis of his knowledge of the industry, said that, while those holdouts combined constituted at most 15 per cent of the industry, no one of the giants was willing to risk that 15 per cent being taken from his share and might, therefore, fold, which is what they did that very afternoon.

KAYSEN: In reflecting on this incident did the President and you yourself and other advisors conclude that it was an example of the stupidity of the executives of U.S. Steel or did they think of it as a deliberate challenge which, in fact, was a good gamble?

SORENSEN: Well, that we never knew. The stupidity of it was apparent whether or not it was done for political motivation as well. One year later to the day they followed a more prudent course by announcing a smaller and more selective price increase which resulted in a Presidential warning but nothing more.

KAYSEN: It's clear if one assumes that the object of the steel companies' behavior was to raise prices that they were stupid. On the other hand, it may be that their object was not to raise prices, as such, but their object was directly to challenge the power of the government in general and the President in particular to intervene in the related processes of bargaining and price-setting. If that was their object, it's not clear then that their tactics were stupid.

SORENSEN: No, I don't believe that that was their object. Their reaction to the President's reaction – which included a good many telephone and personal conversations with

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Dillon, Clark Clifford, Goldberg – all indicated that they were dismayed and concerned about the President's reaction. I don't believe they would have reacted that way had they been counting on getting the President involved in that situation.

KAYSEN: So that your analysis, in the light of the events of the year following as well as the immediate circumstances at the time, leads you to conclude that this was simply the expression of a very great misjudgment as to what the consequences of this action would be?

SORENSEN: In fact, I'm not even sure that they even spent any time thinking about the

consequences of it. They probably neglected to think of it rather than misjudging it.

KAYSEN: Did this episode have any permanent impact on the President's relationships with the business community?

SORENSEN: It certainly had an extremely adverse impact on his relations with the business community for a very long time. A great deal of time and effort and attention was spent in trying to improve that relationship in the months that followed.

KAYSEN: What were the most important ways in which this was done?

SORENSEN: It was primarily a matter of attitudes and contacts. Attitudes expressed in the President's speeches and legislative measures, in the treatment which Administration people accorded to businessmen – cooperating with them on projects and problems – and in increased contacts between the business community and all members of the Administration, including particularly the President himself, the Cabinet and sub-Cabinet.

KAYSEN: After the victory that got to be known as the Battle of Blough's Run, did the President give up any further consideration of the kind of measures which occurred to him in the first moment of the problem?

SORENSEN: Legislative measures?

KAYSEN: Yes.

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SORENSEN: Well, there were none that were very feasible that occurred to him. On Friday morning I had a meeting with representatives from Justice, Labor, and Commerce to discuss legislative alternatives. I thought they were for the most part very awkward – something we would send only because nothing else had succeeded.

KAYSEN: Did the President ever express a view, either on the occasion of the next year's steel price increase or on some other occasion, on the general problem of how manageable exhortation would be and was as a method of dealing with wage-price problems?

SORENSEN: I think he regarded the steel situation as a unique one in which he did not wish to be placed very often and in which he produced a success which he could not hope to repeat very often.

KAYSEN: But the issue of whether or not the wage-price guidelines which were in the Economic Advisors' report and which the President repeated in his own economic report and in other public statements – the issue of whether he would be put to the test of trying to enforce them – never really arose after that situation?

SORENSEN: That's generally correct. I believe the wage-price guidelines were brought to bear – at least were considered – in the New York newspaper strike, the New York dockworkers' strike, and the subsequent steel increase, and possibly some others, but there was no single situation in which the President's own role was as dramatic as the steel case of 1962.

KAYSEN: Do you have any further comments on economic policy argument?

SORENSEN: I think that Douglas Dillon was basically an expansionist and that his arguments on behalf of the tax bill and other parts of the Administration program were well done. I particularly remember the first week of the Administration, in which Dave Bell, Walter Heller, Douglas, and I worked out or supplemental budget request. And Doug favored a deficit, but the President wanted to be able to maintain the fiction that nothing we were doing was unbalancing the Eisenhower

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budget which in reality was unbalanced already. I remarked to the President the next day when agreement was finally reached on this outline that the members of the press would probably assume that the budget deficit reflected a spendthrift President overruling his Republican Secretary of the Treasury. In actuality the reverse was true.

KAYSEN: In addition to these big and continuing issues of economic policy, certain occasional issues arose. One, for example, was a transportation message which the first time the President sent it up to the Congress was really quite a novel message and quite a departure from what Administrations had conventionally said in this field. To what extent was this a matter in which the President took an interest, to what extent was it a matter in which he essentially reflected the judgment of his technical advisors and your own judgment?

SORENSEN: He had a general interest in the subject but did not have time or opportunity for detailed mastery of it. His involvement, however, was required because of a basic split in his Administration, essentially between the Department of Commerce on one side and everyone else in government on the other, although the ICC [Interstate Commerce Commission] took the same position as the Department of Commerce. The President sided with those who opposed the Department of Commerce-ICC.

KAYSEN: It's worth asking, in the light of that answer, the extent to which the President was aware of his radicalism in a certain sense – that he was

espousing a view which economists and, I think it's fair to say, detached students of transportation had taken for a long time but that the railroad industry, which is the most powerful element in the transportation industry, and others in the transportation industry had always opposed. Was he aware of the extent to which he was really departing a good deal from what any government had been willing to do before?

SORENSEN: I'm sure he realized it was a new frontier he was ploughing. On the other hand, I was under the impression that the message as a whole was rather favorable to the railroads, and they were very anxious to get the most important pieces in it through. The trucking industry, on the other hand, was strongly opposed. Inasmuch as an element in

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the trucking industry had been a strong political contributor of the President's and had worked closely with Larry O'Brien [Lawrence F. O'Brien] on other legislative matters, an effort was made to conciliate their views before the message was sent up.

KAYSEN: At what point in the Administration did the President get interested in the poverty problem as a special problem not being touched by his general expansionary measures, and how did that come about?

SORENSEN: His interest was continual and growing. It was stimulated by his observations in West Virginia during the campaign, it was expressed in his proposals on aid to depressed areas, aid to dependent children, aid to the unemployed, and others in his first year in office. In presenting the tax cut in his January 1963 message, he made reference to the fact that the tax cut and economic expansion alone would not be sufficient to help those who lived on the outskirts of poverty. And during that year, having read Harrington's [Michael Harrington] book, I believe, he talked with Walter Heller about the possibilities of developing a special anti-poverty program and had already decided that would be a major theme of his 1964 legislative program.

He was a little shaken in that conviction by a political strategy meeting we held on the 1964 campaign shortly before he died in which, during a discussion of issues, census director Scammon [Richard M. Scammon] talked about the number of people who did not feel that they could identify with federal programs, and the President mentioned a poverty proposal. Scammon pointed out that most people did not consider themselves impoverished, and these were not the people we were trying to reach, and so on. But in a subsequent conversation the President told Walter Heller that while he would include other programs in his 1964 message, he still recognized the importance of going ahead on poverty.

KAYSEN: And the question of waiting till 1964 was essentially a question of things that should be done first, a question of developing interest or both?

SORENSEN: I'd say that essentially it was a question of developing ideas.

KAYSEN: But the decision had been made – the concept of putting together under one single label and presenting as one integrated effort programs which previously had been

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conceived as addressed to a separate series of problems.

SORENSEN: That is correct. He also had underway an Appalachian Commission which was trying to coordinate these programs for the poverty area of Appalachia. He read an article in the *New York Times* which called attention to deplorable conditions in parts of Kentucky and asked me to see what could be done about it. And after some conversations he decided on a crash program to help the worst areas in eastern Kentucky and possibly some in West Virginia through the winter. After considerable groundwork had been laid, he called a meeting with the outgoing governor and representatives of the incoming governor, Breathitt [Edward T. Jr. Breathitt], immediately after the Kentucky election, planned just such a program, and contemplated touring those areas himself once the program was under way.

[END OF INTERVIEW]

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