“He’s for Grandma”:

The War On Poverty, the Budget, and LBJ’s Economic Vision

> “Faced between an [military] installation and grandma, he’s for grandma.”
> --LBJ advising Walter Heller on remarks to the press,
> Dec. 14, 1963
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> And we’re still building them [nuclear bombs] out of our ears. So let’s save 25 million, now, and give it to grandma, inside my poverty project.
> --LBJ to Walter Reuther, Dec. 23, 1963
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> How are you going to beat a guy like that? That is Franklin Delano Hoover.
> --Former FDR adviser James Rowe on LBJ, January 8, 1964

In 1964, Lyndon Johnson had one of the most successful years of any president in United States history. He signed landmark bills for tax cuts, civil rights, wilderness preservation, and something he called the War on Poverty. He won the fall presidential election by one of the greatest margins in U.S. history, and his approval ratings were so high they made him almost untouchable at the year’s end. Johnson’s historic political triumphs that year obscured a deeper reality, though. He had inherited a fractured nation engaged in its own internal cold war over race, capitalism, and tradition. Americans preached liberty and equality to the world, but many of them fought rabidly to preserve a system in the South that legally required white privilege. Many more American citizens quietly thrived in a national political and economic system that restricted the rights and opportunities of women, African Americans, immigrants, and ethnic minorities. When Johnson took office, a new generation—the first babies of the Baby Boom were turning eighteen in 1964—was struggling to challenge those systems and to structure new meanings of freedom and democracy. John Kennedy had sensed the mood earlier. In his thousand days, he talked about the 1960s as a New Frontier where the torch of the American Revolution was being passed to its newest inheritors, and as part of that, he argued for what the press dubbed the "New Economics" to keep that torch burning brighter than ever.

Lyndon Johnson took that challenge and expanded it. The old America could not carry on. This time, it was not enough to be a good society. He declared that it was time to become a great society. In that society, presidents could not just believe that a rising tide could lift all boats; they had to believe that they could keep that tide rising indefinitely. In that society, presidents could not just try to avoid recessions; they had to manage the system to sustain long-term growth and full employment. In that society, presidents could fight a war on poverty and be bold enough to reject the ancient idea that the poor would always be with you. Presidents could change the poor and their economic opportunities, and in doing so, create a more robust, productive, efficient economy that could create jobs for everyone, shatter the problems of segregation and racism, and fuel an America that was moving, in LBJ's memorable words, "upwards to the Great Society."[1]

Those words, the *Great Society*, were at the heart of the Johnson presidency. The phrase came from a speechwriter, Richard Goodwin, a Harvard-educated lawyer who took inspiration from such thinkers as Walt Whitman, Thomas Jefferson, and Tom Hayden (a college student from Michigan and a founder of the Students for a Democratic Society). Johnson loved Goodwin's turn of the pen and tried it out in over a dozen speeches before officially launching it on May 22 at the University of Michigan's commencement ceremony, three weeks before his Senate allies defeated the southern filibuster of the landmark civil rights bill. At Michigan, he wrapped his economic vision into a larger vision of citizenship that had evolved rapidly during the past decade of the civil rights struggle. He told the students that they had a choice between being "buried under unbridled growth" or using that growth to build the good life for everyone,

[1] Lyndon B. Johnson: "Remarks at the University of Michigan," May 22, 1964. http://www.presidency.ucsb.edu/ws/?pid=26262.

to create a place "where the city of man serves not only the needs of the body and the demands of commerce but the desire for beauty and the hunger for community." Echoing a theme of ongoing national renewal from John Kennedy's inaugural address that asked this generation to ask what they could do for their country, President Johnson asked them not to think of the Great Society as "a safe harbor, a resting place, a final objective, a finished work" but to see it instead as "a challenge constantly renewed, beckoning us toward a destiny where the meaning of our lives matches the marvelous products of our labor." The first steps to get there required ending "poverty and racial injustice." The next ones relied on a re-imagining of national purpose to keep American materialism from feeding a "soulless wealth." Doing that demanded new approaches to the problems of the city, the countryside, and the classroom.[2]

Intellectually, Goodwin—and Johnson—rested the Great Society in national notions as old as the Declaration of Independence and as new as the student-written Port Huron Statement.[3] Democracy required liberty, and liberty in a democracy required a commitment to equality that ensured relatively fair access to power. As evidence of that access, an individual had to have the opportunity to enjoy the fruits of their labor. American democracy worked best when more people participated in it and when the interests of the small were protected against the power of the large. For Goodwin and for Johnson, the making of the Great Society was not just about every citizen making more money. Wealth had to do more than generate more wealth. It should be part of a process that affirmed the value of every human life and renewed the nation's strength by strengthening the nation's individuals. Johnson dismissed criticism that this Great Society was a "visionary utopian ideal," and later explained that it was a necessary reaction to the "broadened concept of freedom" that emerged in the 1960s. In his view, the Bill of Rights had

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[2] Ibid.
[3] Richard Goodwin, *Remembering America: A Voice from the Sixties* (Boston: Little, Brown, 1988), pp. 272-279.

expanded after World War II to include the right to "a healthy body, a full education, a decent home, and the opportunity to develop the best of his talents."[4] The magic of the postwar economic tide could do more than lift Americans into a new prosperity; it could actually help to institutionalize this new freedom. In Johnson's Great Society, the United States could no longer be a nation defined by its bigotry and its bargains. America, after all, was supposed to be known as the home of the free and the brave, not the shoppers and the segregationists.

The America that Johnson wanted was simple. Everybody worked. Everybody was treated equally under the law. Everybody got the opportunity to do better than others who came before them. In this America, the government belonged not to the few but the many, and its institutions had to reflect that principle. For that to happen in the 1960s, black citizens had to have the chance to be integrated fully into public life, the poor had to be more productive, and women had to matter more in the workplace. Prosperity and growth could make those things happen if channeled in the right directions. Something, however, was wrong. According to Johnson and his advisers, the U.S. economy was too inefficient with too much wasted potential. Its racial rules and social customs kept too many people from contributing adequately to the power of the country.

In Johnson's first six months, he and his advisers dreamed as boldly as any who had come before them. They saw racial reforms as essential economic reforms. They believed that the country could achieve full employment without leading to high inflation, and it could engineer steady economic growth without overheating the economy and precipitating a recession. Over the next two years, his administration revealed those early dreams to be merely a beginning. They sought the seemingly impossible: produce prosperity with less pollution, education with

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[4] Johnson, *The Vantage Point: Perspectives of the Presidency, 1963-1969* (New York: Holt, Rinehart and Winston, 1971), p. 104.

less local tax-strain, transportation with less danger, healthcare with less financial ruin, wild lands with less commercial activity, and a world with less fear of communism. History has shown that Johnson's ambitions were, it turned out, not achievable and fell short on many counts. Nevertheless, it is still no wonder that Johnson thoroughly enjoyed Republican Senator Barry Goldwater's intended critique of him in January 1964 as a president who "out-Roosevelt[ed] Roosevelt, out-Kennedyed Kennedy, and even made Truman look like a piker." Nor is it a surprise that LBJ delighted in hearing that a dear friend from the New Deal, James Rowe, referred Johnson as "Franklin Delano Hoover" for his desire to fight a War on Poverty *while* holding to a relatively balanced federal budget.[5]

As a concept, the strength and the weakness of the Great Society lay in its vagueness and its adaptability. Evolving into more of a pragmatic catchall phrase than a coherent philosophy, the Great Society was so vast that almost all of the administration's initiatives fit within it—and almost any societal failure could be blamed on it. Richard Goodwin's artful use of the superlative gave LBJ a powerful concept to market his domestic agenda and his overarching theme that America was wasting too much of its potential. And it later gave Johnson's detractors an equally devastating tool to use in attack. What could be considered as part of Johnson's Great Society? Maybe a better question is "What could not?" It included civil rights, voting rights, participatory democracy, War on Poverty, Medicare/Medicaid, immigration, housing, elementary and secondary education, higher education, job training, food subsidies, clean air and water, conservation, anti-crime measures, wilderness preservation, consumer protection, highway safety, transportation, urban development, scientific research, the arts, the humanities, public broadcasting, banking transparency, and highway beautification.

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[5] LBJ and James Rowe, January 8, 1964, in Germany and Johnson, ed., LBJ Vol. 3, p. 340; LBJ and Scotty Reston, January 8, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 337. [All references to LBJ recordings are to the Miller

The programs and policies of what became the Great Society were supposed to encourage less discrimination, more competition, and more opportunity. A few months before the Michigan speech, in late January, Johnson summed up part of his overall vision in a secretly recorded phone call with Minnesota Senator Hubert Humphrey. “We’re for war on poverty,” he almost shouted at the future vice president, “we’re for economic growth, we’re for world peace, we’re for security, we’re for Medicare, we’re for human dignity, we’re for human rights. Now, this is what we stand for: a government of strength, a government that’s solvent, and a government that’s compassionate. And it just makes these guys look silly.”[6]

This Texan was so bold that he was actually making plans designed to end poverty, racism, and unemployment. And somehow he planned to do it with a tight federal budget, an income tax cut equal to almost a tenth of that budget, and a Congress dominated by fiscally conservative white supremacists from the South (including the committee chairs of House Ways and Means, House Rules, and Senate Finance). To up the ante, he did not want to sacrifice his long-term legacies to too many short-term political compromises. He intended the Great Society’s parts to be long-term investments, things that he liked to think would have an even greater impact “50 years from now.”[7] The real Great Society would emerge as future Americans reaped the exponential dividends of the current generation becoming smarter, safer, and healthier. That imagined future, nevertheless, depended on Johnson’s skill in the few months after John Kennedy’s assassination.

Besides keeping foreign policy problems at bay, the three keys to the early Great Society were maintaining consistent economic growth, passing a strong Civil Rights Act, and preparing

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Center of Public Affairs volumes published by W.W. Norton].

[6] Germany and Johnson, ed., LBJ Vol. 3, pp. 923-925.

[7] Lyndon B. Johnson: "Remarks at the University of Michigan," May 22, 1964. http://www.presidency.ucsb.edu/ws/?pid=26262.

the way for the War on Poverty. All of those tasks were intertwined, and all of those tasks depended on Johnson passing John Kennedy's $11 billion tax cut. Securing support for civil rights and poverty legislation rested in no small part on a booming economy, which was growing at an average of almost 5 percent per year.[8] As Kennedy's economic advisers had contended, the continuation of that economic growth required a well-executed stimulus plan. Kennedy's Council of Economic Advisers (CEA) had been pushing for that stimulus since 1962. After ruling out a rise in federal spending as an option, Kennedy and then Johnson backed a massive tax income tax cut to energize private investment and consumption and, hopefully, to bring about full employment. This cut eventually trimmed the lowest personal withholding rate from 18 percent to 14 percent and the highest from 90 percent to 70 percent, with a corporate reduction from 52 percent to 48 percent. The legislation was not merely a policy ploy to help bolster growth for the election year of 1964, which at one level it undoubtedly was. It was also a reflection of a longer-term economic vision of Johnson and his—and John Kennedy's—economic advisers. Johnson identified the expected economic growth as necessary to spread opportunity and, especially, to repair the damage of a near-century of Jim Crow. It was time to tap the economic potential that had been lost to racial segregation and systemic economic inequality. The country needed to invest in people, the buzz word was "human capital," to raise productivity and improve efficiency. Opening up better access to jobs and credit for African Americans and better economic opportunities for all low-income Americans would, as the thought went, lead to better consumers and more overall growth. Or as Johnson liked to say, his plans would "make taxpayers out of them instead of tax eaters."[9]

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[8] *Economic Report of the President, 1964,* (Washington, D.C.: USGPO, 1964), 3-6. http://www.presidency.ucsb.edu/economic_reports/1964.pdf.

[9] McKee, ed., LBJ Volume 7, with Carl Albert, 5 June 1964, p. 87. According to the *Public Papers of the Presidents,* Johnson used the phrase in fifteen speeches and public statements in 1964.

Not Leaning, Not Wiggling: Walter Heller and the Politics of Economic Potential

That growth was not magical, and it was not invisible. It depended on people and systems and political bargaining. In the first few months of his presidency, Johnson courted heavily the nation's top corporate leadership with dinners and phone calls and personal meetings, while giving the famous "Johnson Treatment" to key figures on Capitol Hill, particularly to members of the Senate Finance Committee and a few other pivotal committees for the tax cut and the War on Poverty. For those appeals to work well, he had to have the respect and support of a variety of economic policy professionals in the government, especially the "Troika," the collection of leaders from the Council of Economic Advisers, the Treasury, and the Bureau of the Budget who met regularly (occasionally, they were joined by leaders of the Federal Reserve, at which time the group became known informally as the "Quadriad").

Of all of those giant-ego, high-ambition people who had their hands on the multiple policy levers needed by the White House, perhaps the one that mattered most had the least ego and lowest desire for self-promotion. He was a college professor from Minnesota who had decided he could no longer afford to live in Washington, D.C. A father of three with a wife suffering from lupus, he had gone $16,000 in debt (approximately $120,000 in 2013 dollars) to make up the difference in living expenses since taking his White House job in 1961. In early 1964, this man, the highly respected Walter Heller, decided to quit his job as chair of the President's Council of Economic Advisers to head back to university life in the Midwest, blaming his

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For example, see "Remarks to the Members of the U.S. Chamber of Commerce.," April 27, 1964, http://www.presidency.ucsb.edu/ws/?pid=26193. See also Shreve and Johnson, ed., LBJ Vol. 6, with Carl Albert, 26 May 1964.

inability to overcome 4-F syndrome: "family, finance, fatigue and frustration."[10] A tall, brilliant, charming economist comfortable in the grey tweed of the academy or the black twill of the capital, Heller possessed a rare gift: the ability to explain complex economic matters in clear, understandable, even poignant, language. He became one of Johnson's favorite people in Washington, rivaled in LBJ-esteem only by the likes of Secretary of Defense Robert McNamara, Chief Justice Earl Warren, or Senator Richard Russell.

Heller proudly noted that he and Johnson had "hit it off from the very beginning" of the Kennedy administration and had formed an "unlikely alliance between an egghead professor and a Texas political leader."[11] One of the few Kennedy policymakers who shared a close relationship with Johnson while LBJ was vice president, Heller became an architect of the Kennedy-Johnson economic boom and the Great Society. No single person can be responsible for any single policy, of course, but Heller was as vital as anyone besides Johnson himself in formulating the tax cut, the commitment to achieve full employment, the policy emphasis on human capital development, and the outlines of the early War on Poverty. Despite leaving the CEA in November 1964, he remained a prized informal adviser throughout the Johnson presidency and helped convince Johnson of the need for the Vietnam surtax imposed in 1968.

One of Heller's most important contributions came in shaping the Kennedy and Johnson administrations' long-term thinking about presidential economic management, the so-called "New Economics."[12] Heller and other CEA members believed that the Eisenhower administration had set the economy up to grow stale. Ike had been too content with modest

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[10] Heller Oral History 2, LBJL, p. 58. The 2013 dollars calculated using the U.S. Bureau of Labor Statistics Consumer Pride Index Inflation Calculator, http://www.bls.gov/data/inflation_calculator.htm
[11] Heller OH 1, LBJL, p. 2.
[12] For an extended discussion of the CEA, poverty knowledge, and the "New Economics," see Alice O'Connor, *Poverty Knowledge: Social Science, Social Policy, and the Poor in Twentieth-Century U.S. History* (Princeton, N.J.: Princeton University Press, 2001), pp. 140-164.

measures and too fatalistic about the inevitability of recessions. Kennedy's CEA argued persuasively that the president had the tools to do more than lessen the severity of economic cycles. The president could, and should, "invigorate and prolong a recovery," particularly through full employment. In particular, they were guided by Okun's Law, named for CEA member Arthur Okun, that stipulated that a 3 percent change in unemployment led to a "10 percent 'gap' between actual and potential" Gross National Product.[13] Most clearly articulated in the CEA's 1962 *Economic Report of the President*, according to Yale economist and Kennedy CEA member James Tobin, Kennedy's approach did involve "taming the business cycle," but did so through the objective of full employment. Doing that did not mean they were concerned solely with stoking demand. Instead, they favored using a series of "policy mixes" that emphasized long-term "private and public investment" and ideally included "low interest rates and tight government budgets." "We were not one-eyed demand-siders," Tobin later retorted to critics, "Demand calls the tune in the short run, but advances in supply determine long-run progress."[14]

For Walter Heller, this process had led to a "national policy revolution" in which Kennedy and Johnson had shifted the president's economic focus from the fear of economic recessions to the fear of not achieving the economy's full potential, what he called "the gap between where we are and where the economy could be at full employment." In a classic Heller use of metaphor, he explained that Kennedy and Johnson had rebuffed "the old anti-cyclical approach, which says, 'Always lean against the wind.' If the economy is going up, you lean down, and if the economy is going down, you try to push it up." Kennedy and Johnson went far beyond that to become the

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[13] Robert M. Solow and James Tobin, "Introduction: The Kennedy Economic Reports," in *Two Revolutions in Economic Policy: The First Economic Reports of Presidents Kennedy and Reagan*, ed. James Tobin and Murray Weidenbaum, (Cambridge, Mass.: MIT Press, 1988), p. 9, 11.
[14] Solow and Tobin, "Introduction: The Kennedy Economic Reports," pp. 5-6.

first to "openly" espouse "deficit financing" and to use "tax cuts and tax increases, expenditure speed-ups and slow-downs, for purposes of trying to develop a full employment, reasonably non-inflationary economy." The two presidents had "pitched their economics, on our advice, to the growing full employment potential of the economy instead of worrying about every wiggle in the economy and trying to flatten out the curves of the business cycle." In the views of Heller and his CEA colleagues, Kennedy and Johnson had, in fact, created a new economics in Washington.[15]

Getting Lyndon Johnson to look past the wiggles and to avoid leaning in or out was no simple task. President Johnson had to win in November 1964, and he believed he had to win big. Temperamentally, he was not a person designed to coast. He lived at full-throttle all of the time, and he needed the economy to match his zeal. His long-term legacies lay with the War on Poverty and his larger Great Society agenda. But that long-term might never arrive if the $11 billion tax cut bill did not come first and add what he claimed would be an extra $30 million a day to the economy.[16] If passed quickly, it could take effect in early 1964 and stave off a feared downturn. To get that tax bill approved, Johnson had to lean enough to the right while wiggling enough to the left to placate entrenched critics.

The key to passing the tax cut and setting the fiscal foundation for the War on Poverty lay in structuring the next year's federal budget. Fiscal conservatives feared that a tax cut would create a serious deficit that could endanger the economy for years to come. For them, a cut in taxes required a cut in expenditures. Liberals worried that budget cuts could cripple vital programs for people and stifle economic growth. Johnson resolved the situation by persuading conservatives that he was serious about cuts and by convincing liberals that the reductions would not be so low

[15] Heller OH 2, pp. 29-30, 25.
[16] LBJ and Vance Hartke, January 23, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 744.

as to shock the system (and as a side note, both sides mocked him for his well-publicized campaign to save money by turning down the lights at the White House). Furthermore, he contended, liberals would never get the budget they wanted, and their best hope for growth was from the tax cut. The choice Johnson essentially set up for them was to accept a low budget and a tax cut or just a low budget. Something was better than nothing.

To mute the opposition of fiscal hawks like Senator Harry F. Byrd (D-Virginia), the arch-conservative segregationist who chaired the Senate Finance Committee, the president agreed to keep the budget under $100 billion, less than the figure already proposed by the Kennedy administration. Heller and other growth advocates, including LBJ himself, preferred number closer to $108 billion, but Johnson knew the politics behind the $100 billion threshold. As a compromise, Heller suggested that Johnson defend $101.5 billion. Johnson said he could do that if Heller could “take on Senator Byrd,” adding in case his point was not clear, “unless you get that budget down around 100 billion dollars you won't pee one drop." Heller relented because to him the $100 billion figure was, after all, “totally artificial” and a “charade.” He knew well that in reality the president’s budget was primarily a symbolic statement of purpose rather than actual money. Byrd, in response, accepted Johnson’s gesture and agreed to stand down in his opposition to the tax cut, allowing Johnson to set in motion his complicated strategy to launch a War on Poverty while cutting taxes and expenditures.[17]

According to Johnson’s public explanations, he was able to pull off the budget compromise by cutting defense spending to make room for more spending on people in need. In particular, he found approximately a half-billion dollars to add an existing near half-billion to fund the first year of his War on Poverty. As it played out, Secretary of Defense Robert McNamara helped to sell an anti-poverty/economic growth vision sold to Johnson by Walter Heller and soon to be implemented by Kennedy brother-in-law Sargent Shriver. Critics accused Johnson of budget trickery and chicanery. He vehemently denied the charges. In private, however, he confided to an old friend (and rumored former mistress), former Congresswoman Helen Gahagan Douglas, that the secret to any budget victory came in "what you emphasize."[18]

"He's for Grandma": The Johnson Treatment in Motion

Several of Johnson's secretly recorded telephone conversations show what he preferred to emphasize: grandma, growth, and personal responsibility. In those exchanges in December and January, Johnson unveiled a cruder, more easily digestible form of the Great Society vision he laid out at Michigan in May. Part of Johnson's 1964 political success came from his awareness that it was good to show that a politician hated to waste money almost as much as he loved to "help grandma." He made sure Walter Heller knew it, too, and lobbied him to use the motif in selling their economic plans. In December 1963, he warmly needled Heller's performance to the press. Johnson wanted the professorial Heller to overwhelm reporters with the idea that Johnson never believed a person had "to prove you're liberal by showing how much money you could throw away." This $100 billion budget meant that the government would "have less money wasted and more money available for those things because of the stopping the waste." "There may be a lot of thirsty people wanting water," Johnson offered in his Texas hill country analysis, "but that doesn't mean that you ought to turn on the hydrant and let the tank all run dry before you put a bucket under it. What we're doing is we're going to put a bucket under it and save all we can."[19]

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[17] Heller OH 1, LBJL, p.22; Heller OH 2, LBJL, p. 18, 16.
[18] Johnson and Helen Gahagan Douglas, January 1, 1964, in Germany and Johnson, ed., LBJ 3, p. 11.
[19] LBJ and Walter Heller, December 14, 1963, Johnson and Shreve, ed. LBJ Vol. 2, p. 413-415.

The best place for that bucket was not in outmoded projects in the Pentagon but in the meager homes of elderly women in need. According to LBJ, it made sense for the White House to close down places “where they’re teaching somebody to fly a plane that’ll never be flown . . . in order to help grandma or somebody in West Virginia or Tennessee that’s not eating now.” Or stated in a classic Johnson formulation: “Faced [with a choice] between an installation and grandma, he’s for grandma.”[20] A few weeks later, Johnson told another surrogate to the press, the liberal United Auto Workers President Walter Reuther, that the upcoming War on Poverty was as vital as nuclear policy. Why make more $500,000 antisubmarine nuclear bombs when they were coming “out of our ears.” They could “save 25 million [dollars], now, and give it to grandma, inside my poverty project.”[21]

Johnson’s “poverty project” officially became the War on Poverty on January 8 when he declared it in his first State of the Union address. The origins of that War on Poverty are long and stretch back to the Kennedy administration’s Committee on Juvenile Delinquency and experimental programs linked to social science initiatives guided by something known as Opportunity Theory, as well as efforts like the Ford Foundation’s Gray Areas project. Its most direct linkage to LBJ was through Heller. Three days before John Kennedy’s assassination, Kennedy told Heller that he wanted to develop a major antipoverty effort in the coming year. One day after the assassination, Heller passed along this thought to Johnson, who endorsed it enthusiastically. "That's my kind of program,” he told Heller, “I'll find money for it one way or another. If I have to, I'll take away money from things to get money for people."[22] Heller went to work on what became the War on Poverty and after Christmas, on December 30, he and Budget Director Kermit Gordon sat down with Johnson at the LBJ Ranch to hash out bureaucratic plans,

[20] LBJ and Walter Heller, December 14, 1963, Johnson and Shreve, ed. LBJ Vol. 2, p. 413-415.
[21] LBJ and Walter Reuther, December 23, 1963, Johnson and Shreve, ed., LBJ Vol. 2, p. 748.

the economists filling several ashtrays with cigarettes as the President urged them to develop a massive signature program that he would announce at his State of the Union address on January 8. Three weeks after declaring an "unconditional war on poverty," Johnson passed their designs into the capable hands of Sargent Shriver. Doubling as Peace Corps director, Shriver lobbied for task force-produced legislation to create a separate administrative agency under control of the White House, bypassing traditional bureaucratic bottlenecks and local political machines. The bill wound its way through Congress in the spring and summer, and Johnson signed the Economic Opportunity Act into law in August 1964.

Getting the War on Poverty from a series of ideas to a series of programs was a complicated process that this paper does not examine, except to explore a few of the behind-the-scenes ways that President Johnson articulated the importance of it. Around the time of his State of the Union declaration in January, Johnson struck upon a defense of his poverty initiative in private conversations that lasted throughout his administration. At one level, he sold the War on Poverty as a cost-saving investment. Pay a little bit now, "put a little coal oil on it" was a favored phrase, and see the reward later, both in economic growth and in reduced costs in dealing with crime and other symptoms of poverty. Liberals needed little convincing. Key conservatives and Republicans did. For them, Johnson added another benefit of the program. It was a way to teach self-responsibility. To Robert Anderson, Johnson's close friend from Texas and former Treasury Secretary under Dwight Eisenhower, LBJ explained it as a way to teach people "to read and write" and "to prepare them to hold a job instead of just stay on the tax rolls."[23] A cruder argument awaited Walker Stone, the editor of the Scripps-Howard news chain who hailed from Oklahoma. "You won't like my poverty," Johnson warned him, "I'm going to try to teach these

[22] Heller OH 1, LBJL, pp. 20-21.
[23] LBJ and Robert Anderson, January 7, 1964, in Germany and Johnson, ed., Vol. 3, p. 233.

nigras that don't know anything how to work for themselves, instead of just breeding. I'm going to try to teach these Mexicans [that] can't talk English to learn it, so they can work for themselves. I'm going to try to build a road in eastern Kentucky and northern West Virginia and a few of these places so they can get down and go to school, and get off of our taxpayers' back, and so forth. And that I'm going to call poverty."[24]

Johnson wanted supporters and detractors alike to see the War on Poverty and the tax cut as government initiatives designed to boost private enterprise. His administration was planting seeds that the larger economy had to nurture. His lobbying for that vision in early 1964 was Johnson at his most persuasive. Journalists at the time called his style the "Johnson Treatment." When he needed someone's support, he could unleash a relentless, never-back-down showering of praise, pork barrel, and pressure, dotted with stories and tirades and a 6'3" body that seemed to block out the light and suck out most of the room's oxygen. To get the tax bill through the Senate Finance Committee and then ultimately to his desk for a signature (on February 26, 1964), he showed his mastery of that tactic. Every member of the Finance Committee became his target. For liberal Minnesota Senator Eugene McCarthy, he focused on getting the bill through quickly to keep it from messing up the civil rights bill. If the tax bill got delayed because of a southern strategy to fight civil rights, then "that just ruins us." "I've got to pass taxes and civil rights," he stressed, "or I quit."[25]

He urged Florida Democrat George Smathers, Johnson's old friend, to work all day and night to "get the damn thing finished up" because it was costing "hundreds of men their jobs."[26] He chastised Georgia Democrat Richard Russell, Johnson's own mentor and a man his children called "Uncle Dick," for "not being very wise in your southern strategy." Russell needed to get

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[24] LBJ and Walker Stone, January 6, 1964, Germany and Johnson, ed., Vol. 3, p. 179.
[25] LBJ and Eugene McCarthy, January 6, 1964, Germany and Johnson, ed., Vol. 3, p. 198.

the southerners on the Finance Committee to get the bill out to the full Senate for a final vote soon or "you'll have every businessman in the country messing in your civil rights fight."[27] Virginia Democrat Harry Byrd chimed in with a request to have a friend appointed as ambassador to Ireland. Out of decorum, though, he did not want Johnson to meet with that man, Raymond Guest, until the whole tax cut bill situation was over. Guest took office in 1965 and remained ambassador until 1968.[28] New Mexico Democrat Clinton Anderson was a key Finance member who tried to have a supporter, former Truman administration official Robert McKinney, to the Atomic Energy Commission.[29]

When a fight over excise taxes on certain items broke in the Finance Committee in late January, Johnson swooped in to salvage his bill. When Vance Hartke, a Democrat from Indiana who had won election in 1958 with Johnson's help, wanted to protect a music company in Elkhart, Johnson reminded him, "The goddamned band and musical instruments—they won't be talking about it next November." What would matter was the tax bill and "whether we've got prosperity."[30] Abraham Ribicoff, the liberal Democrat from Connecticut, told Johnson he could not budge on the excise issue. Johnson pleaded with him and suggested he would "remember" the sacrifice he needed Ribicoff to make. Senator Ribicoff worried about how he would "save my face." Without hesitating, Johnson lunged in. "Don't you worry about saving your face," he promised. "Your face is [in] damn good shape, and it's going to be better when I get with you. I'll save your face. . . . You save my face this afternoon, and I'll save your face tomorrow." Ribicoff went along, and Johnson won the excise battle on a 9-8 vote in the committee. The toll

[26] LBJ and George Smathers, January 9, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 380.
[27] LBJ and Richard Russell, January 16, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 559
[28] LBJ and Harry Byrd, January 22, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 701.
[29] LBJ and Clinton Anderson, January 2, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 751. McKinney actually turned down the offer.
[30] LBJ and Vance Hartke, January 23, 1964, Germany and Johnson, ed., LBJ Vol. 3, p. 744.

of the fight led to some false deprecation from LBJ. "I've had 56 days on this job," he lamented in semi-seriousness, "and they've been the most miserable 56 I've ever had."[31]

The Finance Committee sent the tax cut bill out to the Senate on January 28. The Senate approved it on February 7, and the House came to terms with the Senate bill on February 25. Johnson signed the legislation on national television the next night. The cuts took affect in March. CEA member Arthur Okun, the formulator of Okun's Law on unemployment and economic potential, later calculated the impact of the cut. Consumer spending rose by $4 billion in the three quarters after the cuts, going from $4.4 billion in the three quarters before to $8.4. The cuts created $7 billion in extra tax revenue, falling a couple of billion short of making up for the cuts themselves.[32]

Johnson's push for the $100 billion budget, the $11 billion tax cut, and the $1 billion War on Poverty in the opening months of his administration set the stage for his long-term domestic agenda. Building on John Kennedy's economic plans, he crafted a vision of economic growth and political transformation that made the Great Society the centerpiece of American political debates for several decades to follow. Johnson's ideas during those early months were complicated. Finding a common theme is not easy, but if one could narrow it down to one word, it would probably be "potential." Historians have called Johnson the master of the senate, the architect of American ambition, the flawed giant, the lone star rising, and simply The Politician. Maybe Johnson ought to be known as the master of the American politics of potential. His

[31] LBJ and Abraham Ribicoff, January 23, 1964, Germany and Johnson, ed., pp. 745, 765.
[32] David Shreve, p. 190; Arthur M. Okun "Measuring the Impact of the 1964 Tax Reductions," in Perspectives on Economic Growth, ed. Walter W. Heller (New York: Random House, 1968).

political genius of 1964 may have lain in his ability to convince others that he could narrow that mythical gap between what Walter Heller called "where we are" and "where we could be."

Whether in the early 1964 budget-tax cut-War on Poverty battle or the grander one arching through his first two years, Johnson repeatedly pushed for programs and policies designed to expand the potential of the economy and of the individual's capacity to contribute to it. He was, after all, a New Dealer who had ridden the momentum of those years in the 1930s all the way to the White House in the 1960s. His Great Society was an extension of that liberalism and the recognition that capitalism could go very wrong and that the government should help people cope with an economic system over which individuals had little control. In a Great Society, such a government could not tolerate unearned suffering or unearned exclusion. At least as important, the economy could not reach its potential if that suffering and exclusion were not addressed and if individuals could not hope to reach their own potential.

At its conceptual core, the War on Poverty was a plan to help people understand their own economic potential and figure out how to achieve it, a principal objective of its Community Action Programs, Head Start, Upward Bound, Neighborhood Youth Corps, and Adult Education, to mention a few. Personal growth would lead to national growth. More control for individuals over their own lives would mean more responsibility in their own communities. The trick for Johnson's long War on Poverty battle and his Great Society was convincing southern white supremacists that their own potential lay in improving that of poor people and African Americans. That domestic battle, combined with more vicious ones in Southeast Asia, showed just how tough the sell would be and just how imaginary the word "potential" could be.

[THIS IS THE LEAD-IN TO A SECTION ON THE CIVIL RIGHTS BILL.]