

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 27, 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Report on a Dinner

1. I attended a very unusual dinner and evening meeting on the tax issue at the Capitol Wednesday night. It involved nine Senators, about a dozen officials from the Administration and regulatory agencies, and about 40 executives from Wall Street and the mutual funds. Gardner suggested that you would be interested in a report.
 - The dinner was thrown by Bob Brimberg, the young head of a successful Wall Street firm, who is an avid Democrat and apparently an important contributor to some of the Senators.
 - The Senators who attended were Hartke (who chaired the session), Russell Long (who stayed for about an hour), Burdick, McIntyre, Metcalf, Hollings, Yarborough, Stephen Young, and Fong (the lone Republican).
2. The meeting was clearly staged to provide an opportunity for the Wall Street people to lecture the Senators on the urgent need for a tax increase. Although Hartke filibustered and gave the Wall Street people only limited opportunities to sound off, they got the message across.
 - The Senators got an earful on the disaster in the bond and stock markets that could develop if the economy gets out of control next year. They were told that Congressional inaction on taxes would be a definite failure of American democracy.
 - There was some pointed joking that Wall Street Democrats would have no money to support election campaigns if the financial markets nosedived as a result of tight money and an unbalanced economy.
 - We expect the tax bill to slow the growth of sales and profits. That is a necessary part of cooling off.

- Most experts are optimistic about the effects of the tax bill. But a few people think that the \$20 billion package of fiscal restraint may be a dud. And some think it is an overdose. What do they think?
2. Investor attitudes. Investors have been buying stocks enthusiastically in recent months. Should we interpret that a favorable vote of confidence in the economy? Or should we be concerned that people are speculating and feeling a need to hedge against inflation? Do they have any suggestions for strengthening confidence and combating inflationary psychology?
 3. Cities. Businessmen seem very worried about the crisis in the cities. The progressive ones are getting personally involved in a gratifying way. They are also supporting adequate Government efforts, even though this will add to the Budget. Does the equity community share these views? Do they feel they can contribute in any way directly to solving these critical problems?
 4. Stock market investments by foreigners. Foreigners have bought nearly \$1.3 billion of U.S. stocks in the past year, including nearly \$500 million in the first quarter of 1968 alone. This has been a big help to our balance of payments. We appreciate the efforts of the equity community to promote these sales. Do they think this encouraging development can continue? Do they have any suggestions to help make it continue?

Arthur M. Okun