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RESEARCH ARTICLE

The Freedom Budget for All Americans as an Economic Plan

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Abstract

In the second part of the sixties, A. Philip Randolph and Bayard Rustin envisioned an ambitious economic plan aimed primarily at eradicating poverty and joblessness for all Americans and significantly expanding the boundaries of Johnson's *Great Society*. It never gained traction and by the end of the Johnson Presidency was relegated to the margins of historical memory. While the recent literature on the *Freedom Budget* has argued that the program was *politically* infeasible, this paper sustains that the *Freedom Budget* as a plan was *economically* infeasible. After a summary of the aims and content of the *Great Society* and the *Freedom Budget*, this paper determines that a main point of the program's irrelevance lies to some degree in the implausibility of its economic assumptions and in the denial of any necessary economic trade-off.

Keywords: *Freedom Budget, Keyserling, Johnson Administration, Great Society, Keynesianism.*

Introduction

The *Freedom Budget for All Americans: Budgeting Our Resources, 1966-1975, To Achieve Freedom from Want* (also, *Freedom Budget* or simply *Budget*), written under the supervision of Bayard Rustin and released in 1966 by the A. Philip Randolph Institute, was a well developed policy program seeking to secure full economic citizenship for all Americans via an unprecedented government investment. The program challenged the classic definition of civil rights and linked increased government spending to economic justice. It never gained traction and by the end of the Johnson Presidency was relegated to the margins of historical memory.[2] Scholars have mostly studied the *Freedom Budget* as a political project to build a progressive coalition, and argued that its defeat can be closely identified with strategic mistakes within the U.S. left liberalism and reformism.[3] This article investigates the *Freedom Budget* as an economic plan and ultimately reveals that the *Freedom Budget* was *economically* infeasible, and that the main point of the program's irrelevance lies to some degree in the implausibility of its economic assumptions, such as the claim of compatibility with the concurrent federal budget and self-sustainability of the program, as well as the denial of any necessary economic trade-off, including the one between inflation and employment. First, the article summarizes the main features of the *Great Society*, President Johnson's grandiose vision of universal access to benefits, privileges, income, housing, hopes, visions, values, achievements, and rights at that time enjoyed only by the established, white, male-centric middle class. The *Freedom Budget* was conceived to significantly expand the boundaries of Johnson's *Great Society*. The paper goes on to recapitulate the content of the *Freedom Budget* and its economic assumptions. Finally, the paper analyzes the feasibility of the *Freedom Budget* in an attempt-among other goals-to discern the orientation of the plan as far as taxes and inflation are concerned.

The Great Society

That's my kind of program. We should push ahead full-tilt on this project. 24 November 1963, only two days after the assassination of John F. Kennedy, Lyndon Johnson was already pushing Walter Heller, Chairman of the Council of Economic Advisers, to pursue an anti-poverty plan that he inherited from the previous administration.[4] From the beginning of his administration, the newly sworn in Johnson focused on a domestic agenda that included the fascinating merger of civil rights with economic justice.[5] Johnson envisioned a society where welfare was an ethical imperative and was socially accepted-a post-scarcity economy and a prosperous society where an absence of class conflict led to general consensus. It was a dream of racial harmony, a classical liberal movement of a huge governmental symphony seamlessly playing their instruments to perform Johnson's lyrical dream of social engineering. It was a dream that implied huge and permanent investments in education, job training, infrastructure, and manufacturing as well as money to support the vision of millions of new employers. It was a plan that envisioned urban renewal, igniting hope in the ghettos, and it also attempted to paint a canvas of poverty defeated thanks to billions of federally funded dollars.

Despite the grandiose vision, the federal spending for the *Great Society* programs, including the War of Poverty, had been relatively modest. While the rhetorical image of the *Great Society* was of a country that possessed unlimited resources and the professionalism to use them for healing the ills that still plagued the dispossessed, the reality was that the costs of its programs had been "deliberately understated" for political reasons.[6] In other words, the rhetorical flourish of a *Great Society* captured a major departure in terms of federal government's spending, but contrasted with the comparatively modest budget given to the principal federal agencies, including the Office of Economic Opportunity. The leap looked gigantic only because the bar was set so low. A brief analysis of the 1966 federal budget helps to clarify this point. The total spending was $134.5 billion, of which $90.1 billion was discretional spending. The main components of discretional spending were defense ($59 billion), space ($6.6 billion), international affairs ($5.1 billion), education ($3.8 billion), energy ($3.9 billion), housing ($2.9 billion), government ($2.3 billion), and transportation ($1.6 billion); all social programs (Social Security, healthcare, unemployment, etc.) accounted for $4.9 billion.

The modest financial commitment to welfare did not bother the Johnson administration, as results were nonetheless stellar. At the beginning of 1967, Johnson recognized that the War on Poverty was achieving important results with a limited investment of $1.5 to $1.75 billion.[7] "Demonstration Cities Program," a federal plan to deal with the crisis of the cities, was initially proposed to Congress in 1966 with a proposed budget of $2.4 billion over six years, although it was approved with a final provision of $2.3 billion in the same year, the federal government paying 80 percent ($1.9 billion) and local authorities taking responsibility for the remaining 20 percent ($0.4 billion).[8] Abram mentions these as "community action programs" and characterizes them as "not a great consumer of money."

The Freedom Budget

The *Freedom Budget*, at least in its authors' minds, was an ambitious civil rights proposal at the intersection of racial justice and economic justice for all Americans, aimed at primarily eradicating poverty and joblessness and significantly expanding the boundaries of Johnson's *Great Society*.[9] It projected "the practical liquidation of poverty in the U.S. by 1975" while it left "no room for discrimination in any form."[10] It was a remarkable piece of public policy, whose list of social priorities included housing and education, guaranteed annual income, and expanded medical care, social insurance, employment, and jobs. The plan would engage the poor in rebuilding their own cities and ghettos, towards the construction of homes, schools, mass transit, and hospitals; the plan would also encourage a focus on useful services such as healthcare and teachers' aides. The *Budget* was actually an economic plan, worked out by New Deal Keynesian economists such as Leon H. Keyserling, former Chairman of the CEA in the Truman Administration, with detailed charts, graphs, and statistics. It was an economic plan, a formal statement of a set of business goals, including full employment and minimum wage, the reasons they were believed to be attainable, and the action points for reaching those goals. It also contained the numbers and terms, that is, the financial resources needed to achieve the plan's goals ($185 billion over a ten-year period) and the sources of funding (a so-called "growth dividend").[11]

The plan, a collective project of economists, labor union, and civil rights leaders, was coordinated by Rustin, although Leon H. Keyserling wrote it almost single-handedly; it was finally presented at a press conference in Harlem's Salem Methodist Church in October 1966 as an 84-page document, complete with statistics, charts, graphs, and a discussion of methodology.[12] It called on the federal government to spend $185 billion in restoring and maintaining full employment, guaranteeing an adequate income for all employed, and a minimum adequate income to all who could not be so employed.

Most of the 84-page document was devoted to the social and moral issues related to the aims and contents of the *Budget*. The last chapters addressed the more specific components of the economic plan. The *Freedom Budget* required the total amount of $185 billion, which would commit the federal government for a mandatory spending of nearly $20 billion for a 10-year period, starting in 1967. Keyserling was confident that all of the *Budget*'s programs could be paid for without tax increases or cutbacks on defense, international, and space funding by utilizing what he called the "economic growth dividend." The "growth dividend" was the aggregate gross national product increase that Keyserling anticipated between 1965 and 1975. This increase was based on a five percent annual growth rate estimate, which was deemed reasonable at the time since the economic growth averaged had been exceeding four percent per year from 1961 to 1966.[13] Keyserling suggested that only 1/13th of this growth dividend would cover all costs of the *Freedom Budget*. The relevant figure was the increase in federal tax revenues that would have resulted from such growth. According to Keyserling's growth rate, tax revenues would have increased by $400 billion, making the $185 billion he proposed spending nearer to 47 percent of added federal tax revenues.[14]

Two principles seemed to be at work: 1. the sustainability of an $18.5 billion per year spending for a 10-year period, and 2. the rationality of a $40 billion increased tax revenues for a 10-year period. While the former is discussed later in this paper, the latter is investigated here. At the core of the *Freedom Budget* there was the notion of self-sustaining stimulus, or the confidence that the fiscal stimulus could pay for itself. The plan advocated stimulation of growth through higher spending and tax increases. Another fiscal stimulus, the Kennedy-Johnson 1964 tax cut, had made a similar case: stimulate growth through a tax cut, and the long-term debt may shrink. Both fiscal stimuli were supposedly self-financing assuming a fiscal "multiplier," the amount by which output rises for each dollar of government spending or tax cuts. However, the analogy ended here, as the difference between the two plans was not as much in their logic as in their size. The Kennedy-Johnson tax cut was a $12 billion tax cut, and within one year the revenues into the Federal Treasury were already above what they had been before the tax cut. The tax cut paid for itself in increased revenues.[15] The *Freedom Budget* was an $18.5 billion spending for a 10-year period and was supposed to provide increased revenue in the amount of $40 billion for a 10-year period. In other words, the fiscal multiplier at work in the *Freedom Budget* was supposed to be two times larger than the one at work in the Kennedy-Johnson tax cut.

In linking increased social spending to robust economic growth, and insisting on the lack of effects of the program's costs on tax burdens (welfare state without taxing), the architects of the *Freedom Budget* conveniently avoided dealing with federal budget deficit and inflationary growth, a point that will be addressed later, while conveying a sense of social pacification. In fact, economic growth (the "growth dividend") would take care of all costs, and no transfer of wealth was requested between "have's" and "have not's." The selling proposition of the *Freedom Budget* was the transformation of American society from one of “have’s” and “have not’s” to one of “have’s” only, *at no cost for anyone*. The extension of the economic privileges to the poor and racial minorities would operate without eroding the existing grasp that the white middle class had on those same privileges. The equation appeared to have validity due to the previous quarter-century of extraordinary economic growth. Unlimited economic growth offered hope that the traditional Aristotelian notion of transfer of wealth from the “have’s” to the “have not’s” had simply been replaced with economic expansion in which “have not’s” become “have’s” without a transfer of wealth. 16 *New York Herald Tribune* columnist Walter Lippmann described succinctly his understanding of the post-scarcity economics in regards to the 1960s:

A generation ago it would have been taken for granted that a war on poverty meant taxing money away from the haves and turning it over to the have not’s … But in this generation a revolutionary idea has taken hold. The size of the pie can be increased by intention.[17]

Post-scarcity economy seemed the pinnacle of the liberal philosophy of economics, the creation of a context in which economic growth, civil rights, and low taxes mutually reinforce each other, preserving affluence to the middle class and enlarging it to previously discriminated racial minorities.

The expansion of *direct* federal spending programs at no additional cost for taxpayers- a main principle at work in the *Freedom Budget* – was a subordinate of Keyserling’s chief belief that federal spending should be pursued regardless of potential effects on budget deficit and inflation. The economic theory underlying the notion of constant spending was interesting and controversial, built on the premises that the potential of the American economy was unlimited and that economic policies should always be aimed at full employment—full employment demand and full employment supply. In other words, an entire economics stood behind Keyserling’s request for spending. A brief analysis of such an economics will bring to light the economic assumption governing the *Freedom Budget*.

Since the Full Employment Act of 1946, which declared full employment to be a major goal of U.S. policy, Keyserling considered economic growth as the mean to attain the end of full employment.[18] An underlying implication here is that consumption drives production and, consequently, investment and productivity. The overall idea was that when one puts money into the average family’s pocket in the form of salaries, education, social security, health, and housing, consumption is stimulated and so is production; therefore, real wages increase. Testifying before the Senate Finance Committee in April 1962, Keyserling sustained that production needed bigger markets.[19] In other words, consumption was the key. To Keyserling, consumption was derived from real wages. Thus, consumption was a function of real wages and a stimulus for investment. To Keyserling, the notion that investment is determined by consumption levels rather than by the amount of loanable funds or profit rates, led him to stress constant economic growth. This was Keyserling’s critical platform toward maintaining immovable and consistent growth.

The drafter of the *Freedom Budget* was an economist with an undaunted conviction that the conditions necessary for permanent full employment could not be expected from the system of private enterprise. The role of government to maintain full employment when the private economy falters was indispensable.[20] Accordingly, Keyserling believed in constant growth for full employment fueled by fiscal policy even if that meant some budget deficit. As a matter of fact, Keyserling suggested both tax cuts to stimulate consumer demand and expenditures (spending), the two main instruments of fiscal policy to promote growth, with a preference for the latter.[21] To Keyserling, spending for growth should be confirmed in case of both budget deficit and inflation. Authorities should not be afraid of either temporary deficit, because spending-produced jobs and increased production, or inflation, as inflation was generally caused by inadequate supply, not by excess demand.[22] Thus, the correct policy was to stimulate supply. Keyserling's bottom line was that spending for economic growth as a policy was the right prescription for both anti-recessionary and anti-inflationary economic cycles.

From the advent of the Korean War to the War in Vietnam, Keyserling approved expansion of defense spending, making no distinction between social spending and defense spending: both policies were valid instruments to fuel economic growth.[23] His belief that great domestic priorities could be adequately served without corresponding defense spending cuts remained intact. In his view, guns-and-butter economics was a crucial ingredient of the full-employment strategy.[24]

Keyserling's economic framework relating full employment, growth, spending, and budget deficits became the architecture of the *Freedom Budget*. The denial of any necessary trade-off is the theoretical principle of the *Freedom Budget*.[25] Reflecting labor leadership's claim that no necessary trade-off needs existed between military spending in Vietnam and domestic spending for War on Poverty, the *Freedom Budget* proposed guns-and-butter economics and growth-focused strategies with no necessary tax increase to either balance the budget or to curb the danger of inflation. The denial of trade-off between inflation and employment comes with the recommendation to federal government to pursue growth for full employment also in case of inflationary growth. In the chapter titled "The Moral Aspects of the Problem of Inflation," Keyserling initially discounted effects of inflation on the economy and then made his moral point:

Under any circumstances, it would be a monstrous distortion of our values as a nation and a people to argue that we should balance the desirability of reducing unemployment […] against the prospects of some increases in the prices level. The chapter on inflation concludes the *Freedom Budget* document.

In this chapter, Keyserling made his last point of tax. The *Freedom Budget* was conceived to be tax-free. However,

We should increase taxes by whatever amount may be necessary to impose the burden where it can be easily be borne, instead of fastening it around the necks of the downtrodden.

Not surprisingly, Keyserling was suggesting as an alternative a combined inflationary growth and tax increase in order to stimulate growth and finance spending.[26] Although the *Freedom Budget* denied the trade-off between spending and tax and/or inflation, it was Johnson who had to confront the political reality that federal debt and inflation increased as the domestic programs and the war in Vietnam expanded and required additional resources.

Feasibility

In the second part of the sixties, two economic plans attempted to address the problem of economic inequality in the Unites States. One plan was President Johnson Administration's *Great Society*. The other was the A. Philip Randolph Institute's plan known as *Freedom Budget*. The two plans shared the same economic framework, Keynesianism, and the same economic policies: supply-side cuts ("commercial Keynesianism") and massive defense spending (military Keynesianism).[27] They differ, however, on the ultimate goal of economic policy, growth for growth's sake in the case of the *Great Society*, and full employment in the case of the *Freedom Budget*. More accurately, the plans diverge on the influence these policies would have on the problem of income inequality in the United States.

President Kennedy used a combination of military and commercial Keynesianism (defense spending and tax cut, respectively) as engines of economic growth. Johnson assumed he could do the same, but thanks to the more receptive political climate, he might also increase social spending and infrastructure investment. Initially, the Johnson administration was focused on keeping the increasing deficit under control.

The strategy was to finance both the *Great Society* reform at home and the war in Asia without raising taxes, while balancing the budget to hold down inflation. The whole strategy relied on the level of economic growth: a slowing path of the economy would predict a higher federal deficit and higher inflationary pressure. In January 1966, Johnson's plan was to maintain the federal budget at $112.8 billion, an increase of $6.4 billion over the previous year, mostly to cover the cost of the Vietnam War. A deficit in the order of $1.8 billion would maintain control of inflation.[28] Uncertainty about the degree of economic growth marked Johnson administration's economic policy in 1966. He decided on a $4.8 billion supplemental fund for Vietnam in March, announced a budget reduction in September (estimated by his economic advisors in the order of $3.5 billion), but still remained silent on taxes. It became clear that Johnson's desire to maintain the *Great Society* domestic programs while fighting the war in Vietnam increased federal debt. His economists at the Council on Economic Advisers (CEA) tried to educate him about the consequence of federal debt on inflation and advised him to propose a tax increase to finance the war. For two years, Johnson held back, thus creating a growing hole in the federal budget.[29] Soon, the economy entered into the so-called mini-recession of 1966-67. This was only the beginning of a spectacular, unpredictable change in the economic cycle.

In January 1967, only three months after the launch of the *Freedom Budget*, Johnson finally asked for more taxes via a temporary six percent surcharge on corporate and individual income taxes. He also promised to hold the federal deficit to $2.1 billion. The prospective budget deficit was of $10 and $11 billion, thanks to $20 billion for Vietnam, and Johnson – despite his promise -- ended the fiscal year with a final deficit of $8.6 billion.[30] His decisions, unpopular as they may have been, signaled the end of non-taxationary solutions to balance the federal budget, while the evidence that the budget deficit would be much larger than Johnson admitted failed to restore public confidence and to reduce inflation.[31] A confused and violent debate about whether to concentrate the economic resources of the federal government on pursuing social justice or on foreign military policy became common during that period. Martin Luther King, Jr., sided against funding the Vietnam War, famously predicting that "the bombs that [Americans] are dropping in Vietnam will explode at home in inflation and unemployment."[32] King exposed the civil rights view of the debate. Wilbur Mills, the House Ways and Means Committee Chairman, exposed the interest of taxpayers and the underlying struggle for control over the nation's tax vs. spending priorities. Mills, a primary tax expert in the Congress and later a leading architect of the Tax Reform Act of 1969, favored a conservative fiscal approach, adequate tax revenue to fund government programs, and a balanced budget. He made clear that any proposal asking Americans to pay more taxes must be accompanied by a significant reduction in the rate of government spending. He also clarified that "what many of us fear is that tax increases now make more revenue available for spending programs in the future."[33]

The Johnson administration was still collecting important results: between 1963 and 1968, real GDP increased by 29 percent, or by 5.2 percent per year on average. The rate of unemployment declined from 5.7 percent in November 1963, when Johnson became president, to 3.4 percent in January 1969, when he left office.[34] However, the risk of an increasing inflation tied Johnson's hands. Until 1964, the American economy was growing, the unemployment rate was falling, and there was almost no inflation.[35] In 1965, the unemployment rate fell from five percent at the start of the year to four percent at the end, while the Consumer Price Index (CPI), a measure of the general price level, began the year rising at a one percent annual rate. It ended at two percent, the highest sustained rate since 1958. To administration economists, who have to make a trade-off between maintaining low unemployment and low inflation, the increase in inflation was the price paid for lower unemployment. In his 1966 State of the Union speech to the Congress, Johnson mentioned his Fiscal and Monetary Policy, which aimed "at full employment without inflation."[36] The underlying idea was that the administration should promote further expansion through tax reductions, while the deficit created by the tax cut was financed by the Federal Reserve's monetary policy with no large increase in interest rates. The increase in federal tax revenues that would have resulted from such growth would cover all costs. It turned out that 1964 was the last year of non-inflationary growth.[37]

Beginning in 1965, the general price level began to rise at an increasing rate. The CPI rose 23.07 percent from 1965 to 1970, with an annual percent increase of about 4.25 percent. At the time, the Federal Reserve was a symbol of conservative fiscal policy. Its role was to provide the reserves to finance the federal budget deficit at the lowest cost possible, which means that the Federal Reserve was also supposed to support the policy by preventing an increase in market interest rates. However, when deficits increased and inflation rose, the Federal Reserve had no choice but to promote anti-inflationary policies, raise interest rates, and temporary slowdown economic growth, which would accompany a policy of not expanding money. An increase in the demand for loans for defense contractors and an unpopular Treasury's issue of 18-month 4.25 percent notes led the Federal Reserve to raise the discount rate from four to 4.5 percent.[38] The action did not stop inflation or slow growth of the monetary base. President Johnson was not much concerned about the inflation and did not accept limits in spending and warnings on the deficit. He did not want any increase in rates.[39] He openly criticized the Treasury's decision and intentionally misinterpreted it, so as to avoid any further increase in interest rates.[40] Once the public learned that policymakers were reluctant to act to prevent a rise in inflation, they anticipated that anti-inflation policy would soon cease. By March 1966, the 12-month rate of increase in the CPI reached 2.8 percent, the highest rate in eight years. In April 1966, and for the next eight months, the Standard & Poor's 500 index dropped about 22 percent. The market downturn and other signs of weakness should have suggested that additional anti-inflationary actions were necessary, but administration economists did not interpret them that way. By December 1967, the annual rate of CPI increase was 4.6 percent, 1.8 percentage points higher than a year earlier, skyrocketing the cost of financing the Great Society's programs and the Vietnam War.[41]

The American economy operated through a delicate balance of federal debt, inflation, and interest rates components; severe pressures caused the delicate system to collapse after the decisive 1965-66 period when Johnson decided not to reduce spending, to raise tax rates, or to have the Federal Reserve raise interest rates (ironically, the *Freedom Budget*'s primarily economic framework).[42] The virulent inflation that gathered speed from 1966-67 proved guns-and-butter economics unsustainable, led to record budget deficits, and forced budget director Charles Schultze to suggest to the president in November 1966 that they "*concentrate our scarce funds*, digest what *we have* and be *very selective* in asking for new programs." With little expectation of a balanced budget and the hard reality of increasing inflation, there was no space for any more economic programs. While the funds designated for war or war-related programs increased, the funds for domestic programs declined. Just two weeks after the launch of the *Freedom Budget*, Schultze informed President Johnson that "we are not able to fund adequately the new Great Society programs."[43] When the *Freedom Budget* was launched in October 1966, the Great Society and Johnson's other domestic programs were already in retreat.

One of the main principles at work in the *Freedom Budget* was the sustainability of an \$18.5 billion spending for a 10-year period. A growing gap between the expectations of the *Budget*'s promoters and the available resources of the Johnson administration fueled frustration on both sides. To put the requested provisions of the 185 billion-dollar *Freedom Budget* in context, the federal spending for the *Great Society* programs, including the War of Poverty, had been a fraction. When compared with the \$185 billion *Freedom Budget*, the difference in funding between the running programs cannot be more evident. The *Freedom*

Budget provision "would have been the whole total [federal] budget for one year, defense and everything else," argued Morris Abram, President Johnson's advisor for civil rights.[44] The parallel established between the 10-year *Freedom Budget* and Abram's 1-year federal budget seems a rhetorical trope to show that the *Freedom Budget* was not simply abnormally larger in scope when compared with other social and economic programs; in terms of sustainability, it had the potential to derail the entire federal budget.[45]

Conclusion

Recent scholars have offered a political interpretation of the demise of the *Freedom Budget*. Although a legitimate point, there is no doubt that the *Freedom Budget* was primarily a piece of economic work. This paper has investigated the *Budget* from a wider economic viewpoint, addressing the eventual intrinsic shortcomings of the plan with regard to the state of the economy at that time. In conclusion, this article suggests an economic interpretation of the *Freedom Budget*'s failure [01-32].

First, Rustin and Keyserling likely underestimated the limit of federal finance. The maneuvering of Rustin and Randolph was based on Keyserling's assumption that the American capitalism could somehow absorb the demands of the poor and underclass and turn them into forces of further growth. Assuming Keyserling estimated the correct price tag for a full-scale commitment to poverty and unemployment change, the sizes of federal finance of those times-over $100 billion-were not compatible with the *Freedom Budget*. Second, Rustin and Keyserling were probably wrong: as a matter of fact, the federal government could *not* afford to finance guns and butter.[46] And King was apparently right: dollars that might have gone to the *Freedom Budget* were directed instead to pursue the unpopular war in Vietnam. However, military Keynesianism was an essential component of the *Freedom Budget*. On this point, the plan was in tune with the Johnson Administration. Third, the plan clearly discounted the effects of federal budget deficits and incipient signs of the stubborn inflation of the 1970s. The plan proposed tax-free growth as a useful rhetorical image, but the more relevant idea was the option of an inflationary growth and more taxes in return for full employment. Finally, Keyserling presumably exaggerated the fiscal multiplier, as the fiscal stimulus could not pay for itself.

While the notion of post-scarcity economy fueled the expectations of the *Freedom Budget* promoters, the hard reality of limited resources led the Johnson Administration to a more negative assessment of the plan. The bottom line is that the weakness of the *Budget* was two-fold: it overestimated the potential of American capitalism to produce enough resources for the federal government to afford defense spending and forever heal social ills, and it underestimated the effects of budget deficit on inflation.

Notes

1. A preliminary partial version of this article was delivered as a paper at the International Summit on Civil and Human Rights, 28-30 October 2015, Kennesaw State University. I am grateful to the organizers of the conference for the invitation to speak and to the participants for their feedback.
2. A. Philip Randolph Institute, A Freedom Budget for All Americans. The Freedom Budget has been mentioned primarily in books of economic history, such as Michelmore, Tax and Spend. Johnson does not mention the Freedom Budget in his memoir, The Vintage Point. Biographers and Presidential historians such as Robert Dallek and Doris Kearns Goodwin do not mention the Budget. Nick Kotz, the author of the best history of the working relationship between Johnson and King, does not mention the Budget. See Dallek, Flawed Giant; Goodwin, Lyndon Johnson and the American Dream; Kotz, Judgment Days. Eventually, the fifth volume of the Years of Lyndon Johnson, a biography of Lyndon B. Johnson by an American writer Robert Caro, will address the subject, as it will deal with the bulk of Johnson's presidency. The volume is expected to be published soon.
3. Le Blanc and Yates, A Freedom Budget for All Americans. See also D'Emilio, Lost Prophet, 429-439.

4. Heller Papers, John F. Kennedy, Boston, Massachusetts.

5. Carter, The Music Has Gone out of the Movement, 22.

6. Andrew, Lyndon Johnson and the Great Society, 196.

7. As for the budget of the War of Poverty, see Pear, “Poverty 1993”. For the supposed budget of the War on Poverty, see Johnson, “Conversation with Bill Moyers”.

8. For the initial budget, see Public Papers of the President, Lyndon B. Johnson Library, 1966, I, 82-91. For the approved provision, see Demonstration Cities and Metropolitan Development Act of 1966.

9. For the antecedents of the Freedom Budget in 1961, the new president of the National Urban League, Whitney Young, proposed a Domestic Marshall Plan. In 1964, Martin Luther King, Jr., suggested a GI Bill of Rights. Short of policy details, the two plans set the stage for the Freedom Budget.

10. Quotes from A. Philip Randolph’s “Introduction”.

11. Estimate and quote from A Freedom Budget for All Americans, 5-10.

12. Correspondence between Keyserling and Rustin throughout 1966 suggests that the former completed the original almost single-handedly. Source: Letter Keyserling and Rustin, 9 February 1966, Bayard Rustin Papers, 1942-1987, box 20, the Library of Congress. As for the Freedom Budget, see A Freedom Budget for All Americans. As for the collective work, the plan received input from a number of individuals, including Gerhart Colm, Herbert J. Gans, Woodrow Ginsburg, Nathaniel Goldfinger, Vivian Henderson, Tom Kahn, and Leon Keyserling.

13. The five percent figure came into prominence in the Rockefeller Brothers Fund report, later published as Prospect for America: The Rockefeller Panel Reports (1961). The five percent was adopted by Keyserling’s long memorandum on economic growth policy within the Democratic Advisory Committee in 1960. It was in the 1960 Democratic platform. Sources: Special Studies Project Records, 1956-1960, Series D - Subpanel IV: U.S. Economic and Social Policy, Rockefeller Brothers Fund Archives, 1941-1989, New York; Democratic Party Platform of 1960, 11 July 1960.

14. David Andrew Wallach, Harvard University: Seminar in Black Intellectuals. The Freedom Budget, 2003.

15. Heller, “Statement”, 161. Canto et al. come closest to proving that the Kennedy tax cut paid for itself by including higher revenues that accrued to state and local governments with those obtained by the federal government (Canto, et al., "The Revenue Effects of the Kennedy Tax Cuts", 72-103).

16. Crespo, A Reassessment of Aristotle’s Economic Thought.

17. Lippermann, “Today and Tomorrow”.

18. The original bill, called the Full Employment Bill of 1945, was introduced in the House as H.R. 2202, and in the Senate (without change) as S. 380. The bill mandated that the federal government do everything in its authority to achieve full employment, which was established as a right guaranteed to the American people. The further debate forced the removal of the guarantee of full employment. Assuring Full Employment in a Free Competitive Economy (1945), p. 81. The proposed legislation used the words “are entitled to” rather than the word “right” but it is clear in the following subsection and in the debates and hearings that the sponsors intended to establish the opportunity to full-time employment as a basic right of all Americans. See Assuring Full Employment in a Free Competitive Economy. Report from the Committee on Banking and Currency, 79 Cong., I Sess. (Government Printing Office, September 1945) e.g. pp. 7—B and 71—80.

19. Leon H. Keyserling, hearing before the Committee of Finance, US Senate, Revenue Act 1962, HR 10650, 6 February 1962, part 8, p. 3297.

20. Keyserling’s commitment to full employment economics is confirmed by a short list of various acts and official publications, such as Keyserling, “A Freedom Budget for All Americans”; Keyserling, “Full Employment Without Inflation”; Keyserling, “The Humphrey-Hawkins Bill”; Keyserling, **“**Goals for Full Employment”; Keyserling**, “**How to Cut Unemployment to Four Percent”.

21. Since the Truman era, Keyserling had been a strong proponent of a complex receipt of social and defense spending, limited tax cut and expanded federal insurance for unemployment. For example, in August 1962 and January 1963, he invited the Kennedy administration to enact an immediate personal income tax cut of $7 billion concentrated in the lowest income brackets, a $3 billion increase in federal spending, and a liberalization of monetary policy by lowering interest rates. Source: Keyserling, “One Prescription For Unemployment”, 10G, 56G-57G; Keyserling,

"Statement of Keyserling". On that occasion, Keyserling declared that "the proposed tax program is like a pygmy sent out to do a giant's job." In 1969, Keyserling argued in "Letter to the Editor" that "tax reduction never cleared a slum, and tax reduction never increased a teacher's salary."

22. Keyserling claimed that the rising inflation was the result of a too slowly, rather than too rapidly, growing economy, "Keyserling to Johnson".

23. By 1970, Keyserling was criticizing economic decision related to Vietnam. See Keyserling, "The Economic Record".

24. Point taken from Wehrle, "Guns, Butter, Leon Keyserling", 730–48, esp. 730 and 740. Actually, Keyserling succeeded Edwin Nourse on the Council of Economic Advisers chairmanship in 1949 because he convinced Truman that no choice had to be made between guns and butter.

25. Keyserling's lack of faith in the Phillips curve, the increase in inflation was the price paid for lower unemployment, was not heterodox per se. William McChesney Martin Jr., Chairman of the Board of Governors of the Federal Reserve, questioned whether there was a reliable trade-off between inflation and unemployment. In his 1967 AEA Presidential address, Milton Friedman predicted the death of the Phillips Curve. However, the skepticism of Keyseling was of a different nature than Martin's and Friedman's. See McChesney, "Joint Economic Committee", 10-11; Milton Friedman, "The Role of Monetary Policy," Presidential Address delivered at the Eightieth Annual Meeting of the American Economic Association, Washington D.C., 29 December 1967.

26. From A Freedom Budget for All Americans, 74-75.

27. The expression "commercial Keynesianism" was coined by Robert Lekachmen, The Ages of Keynes, 287. The expression "military Keynesianism" means massive defense spending.

28. For the strategy, see Johnson, "State of the Union Address", especially the passage "This nation is flourishing." For the situation as for January 1966, see Public Papers of the President, 47-68. The increase of $6.4 billion: $5.8 billion for Vietnam, $0.6 billion for the Great Society.

29. Johnson's economists recommended a tax increase to help pay for the increasingly expensive war and to hold down inflation. See Sloan, "President Johnson", 89-98.

30. As for Johnson decisions, see Public Papers of the President, 39-43, 72-77. The federal deficit in 1966 was $3.7 billion (0.5% of its total GDP). In 1967, the deficit was $8.64 billion (1% of its total GDP). In 1968, the last year of the Johnson administration, the federal deficit was $25.2 billion (2.8% of its total GDP). Once added the government's deficit of $3.7 billion to the total federal debt, the total debt at the end of 1966 was 42% of GDP. The total federal debt at the end of 1967 and 1968 were respectively 40.6% and 41% of GDP. Source: US Federal Budget 1966, 1967, and 1968.

31. In "State of the Union Address", Johnson asked for a surcharge of six percent on both corporate and individual income taxes—to last for two years or for so long as the unusual expenditures associated with our efforts in Vietnam continue." Congress did not pass the tax until 1968, at which point the legislation levying a tax also required a reduction in government expenditures. On 28 June 1968, Johnson signed the Revenue and Expenditure Control Act into law, with its $10 billion tax increase and a $6 billion spending reduction. Many Great Society supporters were concerned that the spending reduction would threaten domestic social programs. Nevertheless, Congress was unable to cut the full $6 billion from the budget, and the fiscal 1969 budget ended up with a $3.2 billion surplus and intact Great Society programs.

32. Martin Luther King Jr., "Beyond Vietnam. A Time to Break Silence," speech delivered 4 April 1967, Riverside Church, New York City.

33. Cf. Michelmore, Tax and Spend, 72-95.

34. As for the GDP, see U.S. Department of Commerce, Bureau of Economic Analysis, "National Income and Product Accounts," Table 1.1.6. As for unemployment, see U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey".

35. In the early years of the 1960s, prices were relatively stable, rising at a very slow rate. Between 1960 and 1965, the CPI rose 6.54 percent with an average annual percent increase of approximately 1.14 percent. This was particularly remarkable in light of the fact that the Kennedy Administration and early Johnson administration had implemented policies which were designed to stimulate economic growth and reduce unemployment. A stimulative tax cut was

proposed to President Kennedy, and then successfully implemented by the Johnson administration. In addition, the Federal Reserve resolved to maintain low interest rates, and the Kennedy Administration put pressure on industry and unions to keep price and wage increases to a minimum to ensure that there would be no upward pressure on the general price level.

36. Lyndon Johnson, Annual Message to the Congress on the State of the Union, 12 January 1966.

37. The Kennedy-Johnson tax cut was created by Walter Heller, chairman of the Council of Economic Advisors, in the summer of 1962, accepted by President Kennedy, and signed into law on 26 February 1964. It provided for a cut of $14 billion in 1964 and $11 billion in 1965 and is considered responsible for the U.S. economic expansion in 1964.

38. Board of Governors of the Federal Reserve System. Annual Report (Washington, DC: 1965), 190; Board of Governors of the Federal Reserve System. Minutes (Washington, DC: 16 November 1965), 22.

39. Martin, William McChesney Jr. Oral History. Missouri Historical Society. St. Louis: 8 May 1987, 9. Here is the excerpt: “He [President Johnson] didn’t want any increase in rates and he wanted me to assure him that there wouldn’t be.”

40. For Johnson’s criticism, see New York Times, 6 December 1965, p. 31. For Johnson’s misinterpretations, see Martin, William McChesney Jr. “Martin Papers,” as cited by the Missouri Historical Society. St. Louis: 8 May 1987, pp. 1-2. Here is the excerpt: “I [Senator Richard Russell talking with William McChesney Jr] had better information than the Treasury had…I went to the President, oh, I’d say four or five times and laid them out to him.” At that time, the President did not let the members of the Council or Treasury officials know the actual size of planned spending increases. Martin also learned that the budget estimates understated the increase in defense spending and that Johnson had suppressed the planned increase. He knew also that contrary to standard practice, the Budget Bureau would not discuss the budgetary projections with him or his staff.

41. For an exhaustive history of the central bank and monetary policy in Johnson’s era, see Meltzer, A History of the Federal Reserve.

42. The "New Economics" of the 1960s attempted to maximize economic growth through "fine tuning," meaning that economists had progressed to the point where they could apply short term stimuli or dampen growth so as to assure smooth progress, unmarked by severe recession or inflation. The New Economics propounded the notion that the economy was liable to operate below its potential or full employment level so there could be a case for intervention even during upswings.

43. Charles Schultze, Memorandum to the President, “Great Expectations Vs. Disappointments,” 7 November 1966, Lyndon B. Johnson Library. In late 1966, Office of Economic Opportunity (OEO) Director (and Kennedy brother-in-law) Sargent Shriver contemplated resigning because of differences with the President over funding levels for the War on Poverty and frustration over perceptions that his effectiveness had diminished.

44. Abram, “Oral History Interview I,” 20 March 1984, by Michael L. Gillette, Lyndon B. Johnson Library.

45. Abram also seems to imply that the underlying fallacy of the Freedom Budget was that it assumed that federal government can concentrate on one major problem – poverty – without considering collateral, and perhaps deleterious, side effects on other issues.

46. In the entire war, the United States spent about $173 billion. Source: Department of Defense.

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