

READERS' FORUM

THE FREEDOM BUDGET

We are publishing this correspondence between Robert S. Browne, professor of Economics at Fairleigh Dickinson University, and economist Leon H. Keyserling because questions posed by the discussion are still relevant and because no attention is being given to the Freedom Budget.

To: Mr. A Philip Randolph
(Copy to Mr. Keyserling)

Both as a Negro and as an American I am grateful to you and to your aides for the creative thinking which has gone into the Freedom Budget. It is certainly a useful thought-piece from which fruitful discussion may flow.

At the same time, as an economist, I feel that I must take issue with the general tenor of today's presentation. . . . Our people have too often had their hopes raised only to be disappointed, and I fear that the succession of speakers who gave the impression that this program had even a faint chance of realization at the present time were, deliberately, or inadvertently, withholding a true picture of our present economic situation. One need only to note the opinions expressed by the President's blue ribbon Business Council, by most of the governors of the Federal Reserve System, by business and financial interests

generally—or even to study the want ads—to see that the economy may choose *either* projection of the present rates of war spending *or* the sort of program you are suggesting. It cannot accomplish both, President Johnson's "guns and butter" promises to the contrary notwithstanding. At least, not without a basic redistribution of income, which the Freedom Budget alleges to avoid.

The Freedom Budget is couched in monetary terms, quite a normal practice of course, but one which disguises the fact that while the *money* may be available to achieve your goals, the *real resources* may well not be. In fact, I venture to predict that they will not be, because the bulk of the annual "economic growth dividend" from which you plan to finance the program will not be in the form required, but rather in the form of an increased flow of military hardware, of military manpower, of military construction, of medical aid for military casualties, etc. A budget constructed in real terms, I daresay, would bring this out quite dramatically. Thus it seems to me that although there is admittedly a Herculean task to be performed in the way of winning broad acceptance for the principle of the Freedom Budget, the first obstacle

to the realization of the Budget's goals is the burgeoning war spending, and it may be irresponsible to fail to point this out. One risks raising hopes quite falsely.

ROBERT S. BROWNE
October 1966 •

To Professor Browne:

. . . I do not agree at all with your comment that the real resources needed to achieve the objectives of the "Freedom Budget" may not be available. It is true that these objectives are stated in money terms, which is the usual method used by economists to measure the actual flow of goods and services. But the "Freedom Budget" is based upon our actual potentials for expanding from year to year the physical flow of goods and services, measured in uniform 1964 dollars. Moreover, particularly as stated in alternatives, the portrayal of these potentials is conservatively related to relevant past performance, and to the growth in productivity and in the labor force 1966-1975. Moreover, the "Freedom Budget" takes care to point out that these social priorities should be met and can be met even if the growth in the overall economy in real terms should be less than projected. In that event, we should use tax policy and other relevant policies to do what we need to do most by placing some restraints upon what we need to do least. The portions of the pamphlet which are most

relevant to this issue are the Technical Note on pages 82-84, Chapter 4 on pages 21-22, and Chapter 12 on pages 65-70. It follows that the issue raised by the "Freedom Budget" is neither economic nor financial, but rather moral and social—whether we will marshal the conscience to assure that very modest portions of our growing production and wealth will be devoted to the fulfillment of those aspirations which we are already pledging ourselves to as a nation and a people in words, but thus far not doing enough about in deeds.

You question this conclusion on the ground that so large a part of the "economic growth dividend" will be absorbed for military purposes that there will not be enough left over to serve the objectives of the "Freedom Budget." I disagree with you completely on this. Full account is taken of the military factor. You will note that the Federal Budget Goals set forth on page 9 of the study allow for an increase in the category of national defense, space technology, and all international funds from 64.6 billion dollars in fiscal 1967 to 77.5 billion in calendar 1970, and 87.5 billion in calendar 1975. Moreover, as is pointed out in the footnote on page 66 of the pamphlet, all of the budget goals would need to be lifted about 6.6 per cent to adjust them to the 1966 price level, and lifted further as prices rise 1966-

1975. In other words, using the dollars to measure the real resource use commanded by dollar-spending, the "Freedom Budget" projects an allowance in the military and related categories at very adequate levels related to the best expert judgment as of now and taking into account all intentions now being intimated. Of course, if we should get into a full-scale war, the whole geometry would change. Short of that, even if the projections in this category were deemed to be too conservative, the whole study shows that there would be enough left over to take care of the objectives of the "Freedom Budget," which come only to very tiny percentages of our gross national product or even of the economic growth dividend, 1966-1975.

I recognize that there are those who argue that the American people should be told that they cannot take care of their imperative domestic social needs until the war in Vietnam comes to an end. Regardless of whether or not I agree with the policies underlying that war, this argument is entirely unsound on economic and financial grounds, for reasons I have already stated. I feel that it is so politically and psychologically wrong because it establishes a conflict between our international policies and our needed domestic policies which should be dissipated rather than augmented. The Negroes needing help in the

United States should not be made to carry the burden of the Vietnam war. And those opposing that war should do so on grounds of what in their view is best for the peace of the world, and not by smuggling in the meretricious idea that the Vietnam war so long as it lasts should be used as it is now being used, as an excuse for falling down so grievously on the domestic front.

Your other questions, while they need to be asked, are political rather than economic or financial in nature. You ask whether the nation and the people are ready to accept now what the "Freedom Budget" proposes. You ask whether the popular mood now is compatible with embarking upon needed social programs so long as there is so much uneasiness and concentration of attention upon the Vietnam war. Manifestly, the answer at the moment is in the negative. If the nation and the people were already prepared to do what the "Freedom Budget" proposes, there would be no need for the "Freedom Budget." But we cannot stultify ourselves nor abandon hope by limiting what we seek to what is already acceptable. If we had done that in the past, we would never have made the gains which we have made, either on the civil rights front or on the even broader economic and social fronts. All of these gains have come by struggle, and I certainly stated this

most emphatically at the conclusion of my talk at the meeting in New York on October 26 when the "Freedom Budget" was launched at Salem Church.

The task for those who recognize the imperatives of the "Freedom Budget" is to work all the harder toward its accomplishment, through the processes of education and appropriate pressures, just because the task is so difficult for all of the reasons which you state.

You are entirely correct that

no one should give the impression that the task will be easy. You are entirely correct that easy promises unaccompanied by fulfillment are disillusioning and dangerous. This is the very reason why the proponents of the "Freedom Budget" are distressed by what has happened thus far in the so-called war against poverty, and why they are so determined to lift the sights and expand the effort. . . .

LEO H. KEYSERLING
November 1966