Debate: "RESOLVED: This House Approves the Economic Initiatives of President Reagan" Part II

For the affirmative: WILLIAM F. BUCKLEY, JR.

For the negative: JOHN KENNETH GALBRAITH

FIRING LINE is produced and directed by WARREN STEIBEL

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MR. RICHARDSON: Good evening. It is a pleasure to welcome you to the second half of the debate sponsored by the Harvard-Radcliffe Conservative Club under the resolution, "This House Approves the Economic Initiatives of President Reagan." Now, when I was asked to be the moderator of this program, it was suggested that I should begin the second half with sort of a recapitulation of the points that had been made in the first half. I'm bound to confess that I could not possibly fulfill such a charge. The rapidity, the brilliance of the thrust and parry by the duelists on each side was--I won't say bewildering--but a little too rapid for me to make the kind of notes that would permit this, and I can only say to the audience listening to the second half if you didn't hear the first, you will just have to pick up the threads of continuity from the brilliant expositions you are about to hear. That they will be brilliant I think we can be sure of in the light of the first half.

The format this time will begin with the proponent of the resolution who spoke first last time, Mr. William F. Buckley. He will be followed by Professor Galbraith, and they will each have eight minutes. They will then be followed by two additional antagonists whom I well introduce at the time. First, then, Mr. Buckley.

MR. BUCKLEY: Professor Galbraith, I'd be most grateful if you would answer my questions directly and laconically.

MR. GALBRAITH: That's an example I hope you would set.
(laughter, applause)

MR. BUCKLEY: Is it your impression that the amount of tax that Americans should pay should be set by Congress?

MR. GALBRAITH: Should be set by Congress?

MR. BUCKLEY: All right. If it should be set-- (laughter) Should it be set by Congress or--

MR. GALBRAITH: With the support of state legislatures and--

MR. BUCKLEY: I'm talking about the federal tax.

MR. GALBRAITH: Yes. --and local governments.

MR. BUCKLEY: Okay. Now, if it should be set by Congress, then it oughtn't to be set by noncongressional forces, should it? That is to say, the two are mutually exclusive. It's either set by Congress or it's set by an inflationary impact on a tax scale, is that correct?

MR. GALBRAITH: You're not setting a superlative example of brevity for me. (laughter)

MR. BUCKLEY: I will be as diffuse as I choose, Mr. Chairman.
(laughter) (To Mr. Galbraith) I am asking you to answer briefly,
and I will ask my questions as copiously as I like. (laughter
applause)

MR. GALBRAITH: It should be set by Congress.

MR. BUCKLEY: All right. If it's set by Congress, Mr. Galbraith--

MR. GALBRAITH: And there's no question that there should be
consideration of the effect of inflation--

MR. BUCKLEY: All right--

MR. GALBRAITH: --particularly on the lower income brackets. I
would not worry so much about the people of great affluence, as
you do.

MR. BUCKLEY: All right. In other words, are we to be guided by
why you worry about or are we to be guided under the rule of law?
Make that distinction now permanently, if you will.

MR. GALBRAITH: I would consider myself completely indentified
with the rule of law.

MR. BUCKLEY: Oh, you do?

MR. GALBRAITH: Oh, yes. Wise laws are, as you well know, part
of the general expression of the democratic spirit. (applause)

MR. BUCKLEY: Yes. Well, having heard that violin cadenza, let
me ask you this. (laughter) Inasmuch as during the last year
of the Carter administration there was an inflation of 13.4 percent,
would you reason that any taxes that were authorized before that
rise were authorized without reference to the anticipation of
that inflation and that, therefore, those people who found them-

MR. GALBRAITH: I have no doubts about the need for keeping taxes
accommodated to the continuing rate of inflation, and I would
have had no objection to the tax bill passed last year if it hadn't
had this ridiculous three-year presumption, which was supposed to
change expectations and which we already know has not--

MR. BUCKLEY: You know, I didn't ask you what you found was ridicu-

MR. GALBRAITH: --and if the--

MR. BUCKLEY: I really didn't ask what you thought was ridiculous.

MR. GALBRAITH: --and if the tax adjustment had been limited, say,
to people with incomes of $25,000--

MR. BUCKLEY: Mr. Chairman, Mr. Chairman, I want you watching closely
here. (laughter) All right, now--
taxation on people of low incomes and middle incomes and the
effect of taxation on people of great influence, and this is
something that is well established in law—it goes back to the
Taft administration, a Republican administration parenthetically—and I see no reason why we should abandon that distinction now.
I would be much opposed to it.

MR. BUCKLEY: No, Mr. Galbraith, understand that I concede your
right to pursue your socialist militancy in any form (laughter),
but I'm asking questions that go to the rule of law, and that your
whimsical prejudice—

MR. RICHARDSON: You have one minute.

MR. BUCKLEY: --against people who are wealthy is not really in
point here. What is in point here is whether we approve of Mr.
Reagan's attempt to diminish the impact of inflation on the
taxpayer.

MR. GALBRAITH: That one has to accommodate your tax system to
inflation I don't doubt, but I have said that four or five times.
And I feel uneasy about your habit, when backed into a corner and
in a hopeless situation, to resort to words like "socialist" and
"militant." It's not in the—

MR. RICHARDSON: Professor Galbraith, the medium, if that's what
it is—

MR. GALBRAITH: It's not in the best tradition of democratic debate—

MR. RICHARDSON: --has now shifted.

MR. GALBRAITH: --as the moderator is now trying to say. (laughter)

MR. RICHARDSON: I'm not sure who was the
questioner, but you are now officially the questioner, Professor
Galbraith.

MR. GALBRAITH: My turn to? (laughter)

MR. BUCKLEY: Yes.

MR. RICHARDSON: Yes, sir.

MR. GALBRAITH: I will set an example of brevity. Mr. Buckley—
Bill—when did you personally convert to the idea of supporting
massive deficits, and what is the difference between a Republican
deficit and a Democratic deficit that has been so obviously associ-
ated with this change of mood of yours?

MR. BUCKLEY: I don't support a deficit.

MR. GALBRAITH: Beg pardon?

MR. BUCKLEY: I do not support a deficit.

MR. GALBRAITH: So that to the extent that this is a central feature
of Reagan economics, you have conceded this part of the debate?

MR. BUCKLEY: No. I'm applauding his incentives.

MR. GALBRAITH: I'm sorry.

MR. BUCKLEY: I began very early on by saying these are purely
initiatives—that he has a far, far course to go—and I will tell
you what you ought to do if you want to find out.

MR. GALBRAITH: I find that that answer is less than specific to
my question. Will I repeat it?

MR. BUCKLEY: No, I say I disapprove of deficits. Go ahead.

MR. GALBRAITH: So that as far as—So I can conclude that as
far as this part of the Reagan program is concerned, you have
fully conceded to the opposition?

MR. BUCKLEY: No, I say that if he— (laughter) No, it is plain
to me, as it was to John Maynard Keynes, that if in times of reces-
sion you raise taxes, you in fact increase the deficit.

MR. GALBRAITH: I suspect—I sense an evasion here, but I'll go
on to the next question. (laughter) I would consider that I have
an unparalleled record for political error. I have supported all
the great causes of my lifetime and always predicted they would
win. But when have I been wrong on my economic predictions, and
I would like you to be specific and mention one time?

MR. BUCKLEY: Let me think now. (laughter) In 1965 Professor
Galbraith said, "There's nothing that New York City needs that
doubling its budget will not cure." We tripped it and almost went
bankrupt four years later. Next—

MR. GALBRAITH: That was—

MR. BUCKLEY: Next question. (laughter, applause)

MR. GALBRAITH: I concede the point. (laughter) I would like to
set an example of generosity—that what New York needed in order
to maintain a recent and decent and civilized level of services
was a tripling of the budget, and you know that as well as I do
because you ran for mayor in that year, promising—of which I
always rejoice—promising to demand a recount if you came out
ahead. (laughter) Would you explain to the audience a metaphor
which in the previous hour you used, identifying academic tenure
and political tenure? I completely missed it.

MR. BUCKLEY: What I said was that that which we desire to see is
not necessarily that which will happen, but this is a political, not
necessarily an economic program because politicians, we all recognize,
like to do their demagogic best to be reelected and, under the cir-
cumstances, to achieve de facto tenure politically, which they cannot
be granted outside of an academic institution.

MR. GALBRAITH: You're saying that all politicians are demagogues,
Republican or Democrat?
MR. BUCKLEY: No, I didn't say that. If I wanted say that, I would find the words to say it. (laughter, applause)

MR. GALBRAITH: Oh, you mean corporate politicians? I come now to a more specific question. You are warmly and affectionately associated with the Republicans and the more conservative Republicans in the Congress. I think of Senator Helms. Have you ever-- (laughter)--have you ever addressed yourself to the spending programs of Senator Helms on agriculture?

MR. BUCKLEY: I have disapproved of agricultural subsidies since I was 18 years old.

MR. GALBRAITH: So we have your-- You are conceding our position on this part of the Reagan--

MR. BUCKLEY: I am not conceding that it's your position. It was I who was against agricultural subsidies long before you were. (laughter, applause)

MR. GALBRAITH: Have you spoken out on the agricultural subsidies?

MR. BUCKLEY: I've written four or five books on the subject, yes.

MR. GALBRAITH: Beg pardon? You have? In your columns?

MR. BUCKLEY: Yes, repeatedly.

MR. GALBRAITH: You could send them to me?

MR. BUCKLEY: Not to the point of becoming boring. (laughter)

MR. GALBRAITH: Finally, I would-- How's my time coming?

MR. RICHARDSON: Three minutes.

MR. GALBRAITH: Oh, I've got lots of time yet. What taxes-- You would have a further cut in taxes.

MR. BUCKLEY: Oh, yes. I would cut the top grade of taxation to 25 percent which, by the way, would eliminate the deficit. (applause) I agree with Professor Thurow and Professor Friedman on that point.

MR. GALBRAITH: And you would abandon the use of taxation for any contribution to a somewhat more equitable distribution of income?

MR. BUCKLEY: What do you mean by equitable?

MR. GALBRAITH: After taxing--

MR. BUCKLEY: Why do you get larger advances--

MR. GALBRAITH: I don't--

MR. BUCKLEY: --than many people who get lesser advances?

MR. GALBRAITH: I don't need to--

MR. BUCKLEY: Is that equitable?

MR. GALBRAITH: I surely don't need to explain--

MR. BUCKLEY: It's an aspect of your skill, isn't it?

MR. GALBRAITH: I surely don't need to--

MR. BUCKLEY: Why do you want to force an equality purely on a wage scale basis? Why don't we limit you to one book every 10 years? There might be corollary benefits to doing that. (laughter)

MR. GALBRAITH: There are many people who would--

MR. BUCKLEY: What about an equitable distribution of talent?

MR. GALBRAITH: There are many people who would rejoice in a convention as between Buckley and Galbraith similarly limiting books for both, but I come back to the question. You do not respond at all to the notion that taxes are designed to leave, in after-tax income, a greater measure of equity between the affluent and the poor?

MR. BUCKLEY: No, I--

MR. GALBRAITH: This requires no long answer. It could be yes or no.

MR. BUCKLEY: I do not deny that it is an imperative that those who have help those who do not have. I deny that you have the authority to decide how much he shall give to people--

MR. GALBRAITH: Oh, I'm only--

MR. BUCKLEY: --because your philanthropic imperative may be different from his.

MR. GALBRAITH: My reference in this matter is only to the First Amendment and my right to advocate it. I'm not an authority.

MR. BUCKLEY: I would remind you that no federal income tax was constitutional until you were a boy.

MR. GALBRAITH: Not quite. I'm not quite that old. You have the dates wrong.

MR. BUCKLEY: Excuse me?

MR. RICHARDSON: Gentlemen, I would like to thank you both for--(laughter, applause) I would also like to thank the audience whose applause enabled me to avoid finishing the sentence which expresses very well for me what I would have said. We now turn to two additional speakers for each side of the issue. For the affirmative, Professor Arthur B. Laffer, the Charles B. Thornton professor of business economics at the University of Southern California. He received his B.A. in economics from Yale University, his M.B.A. and Ph.D. in economics from Stanford University. He has worked at various times as a financial analyst at the Ford
MR. LAFER: It's always unfair being with Ken Galbraith. Often when I'm at the podium, I think, "Oh, that was a really nice, clever point. I hate to think that I just said that."

You ask yourself the question: this is really an empirical question not just debating ploys—what city in the United States before Kennedy actually had the highest tax rates in the United States had the largest deficit? You look at Hong Kong and you look at Cuba. What's happened there? You look at what's happened in Western Europe with the increase in tax rates and what's happened in the United States. In the United States, it seems far from obvious to me that by raising tax rates, you're going to get balanced budgets. In fact, just the reverse. I have never heard of anyone balancing budgets on the backs of the unemployed and those who don't earn income. Without having economic growth and high incomes, you can't have balanced budgets. If you want to increase welfare spending programs because people are out of work, you'd like to go along the Kennedy administration lines, frankly, that the best form of welfare is still a good, high paying job, and any administration that increase welfare programs in fact they destroy the jobs that are necessary to really create the economy, I think, is missing the point. The only way you can balance budgets is by creating economic growth, low unemployment and low inflation and low interest rates. And seriously, when you look around the world, countries with high inflation, high interest rates and high unemployment rates have huge deficits. You've got to get the economy growing and being productive. And again, I learn a lot from my students and, frankly, I'd like to tonight say that I would have loved to have gone to Harvard, but frankly I had to choose my second choice when I went to Yale, but—(applause)—but nonetheless, I still am jealous and I learn a lot from my students, and I was in Mexico City a little bit ago discussing budget deficits and two of the countries we were discussing the deficits in, are Mexican nationals, one, Hymie, and the other one, Chico. They were discussing the U.S. federal budget deficit and Hymie was explaining it to Chico. He said, "Chico, I don't know if you understand how big this deficit is in the United States. If the deficit is in deficit by $60 billion. And Chico looked at Hymie and said, "Hymie, is that true? Sixty billion dollars in deficit?"

And he said, "Well, Sir Chico. Sixty billion dollars in deficit." And he said, "Hymie, how many pesos is that?" And Hymie looked directly at Chico and said, "That is all of them." (Laughter) And when you look at it again without—(applause)—without the ploy of the Stockman recession, frankly, and the postponing of the tax cut when you go back to school this year and not earn income when tax rates are high or next year when tax rates are low, which year do you choose not to earn income? Obviously when you have tax rates reduced in 1981 by 1.25 percent across the board, then in 1982 by 10 percent, then in 1983 by 20 percent and in 1984 by 24 percent, people are postponing income. There's a transfer of production over time and frankly, a lot of the reduction in production today is due to the transfer of taxes and the postponing. What we really should do is advance those tax cuts now so people don't postpone the production and employment decisions they badly need. (applause) And frankly, being an advocate of the person who gave my commencement address in 1962, Jack Kennedy, and the tax cuts of the Kennedy administration, which were enormous tax rate reductions across the board—he went to Harvard, didn't he? I think so. Well, I agree that Harvard type of economics frankly and always have. When you look at it, Kennedy also argued very much that there was an enormous difference between the incidence of a tax and the burden. You know, as often as you can look at people up whom one places to bear the burdens of a tax, I mean, being a kid raised in Cleveland, Ohio, I always learned that somehow—(applause)—well, I can admit that back East but not in California. I was always taught that truck drivers who earn wages aren't very high when there are no trucks around to drive. If you overtax capital, savings and investment, you're going to get less capital, savings and investment. There are going to be less trucks around to drive, and the wages of truck drivers will literally fall. The capitalists are never better off by raising taxes on workers and workers are never better off by raising taxes on capital. This is just traditional, old-line, classical economics that everyone is made a better off by increasing the incentives for all factors of production in the system and by raising taxes on capital. This leads to the improvement of the lot of the lowest echelons of the economic ladder. If you go through, again to follow the economics I guess I learned by economics in the early '60s, that when we had a lot of the similar situations to those that we now had the stagnation of the Eisenhower era, we had a very bad economy coming into the Kennedy administration—and Kennedy at that time embarked on a radical program of economic reform of lowering taxes, and I'd just like to read, just for a second, the Kennedy program, if you will, in his Economic Report of the President in 1963, and I think it could almost be restated today. He said, "The most urgent task facing our nation at home today is to end the tragic waste of unemployment and unused resources, to step up spending for national defense and investment opportunities, to improve our productivity and thereby to improve our nation's ability to meet its worldwide commitments for the defense and the growth of freedom. The
revision of our federal tax system on an equitable basis is crucial to the achievement of these goals. Originally designed to hold back war and postwar inflation, our present income tax rate structure now holds back consumer demand, initiative and investment. It has become increasingly clear that the largest single barrier to full employment of our manpower and resources and to a higher rate of economic growth is the unrealistically heavy drag of federal income taxes on private purchasing power, initiative and investment. If we're facing a lot of the same situations today and, frankly, when I came out in the early '60s--the market--we had a rapidly growing economy. What we'd like to do, at least as a professional educator, is to make it so that all of you have the same opportunity as I had when I was not only can you take the economy to be growing and rapidly improving so that you don't have to focus all your time on economics, so you can worry about a lot more important things than just employment, production and your job and, frankly, I guess if I can just quote one last one from my ex-professor, "It's the model that matters." And this professor of mine, by the way, is somewhat elderly. In fact when I was at Stanford he used to come down from San Francisco State to lecture to us, and in fact he wasn't actually born in this country; he was born in Canada of Japanese origin. He was a professor of linguistics. In fact in a later incarnation he went into politics, and he is now the junior senator from the State of California. I'd like to report--at least give you a quote--from Professor Hayakawa, if I can, as professor. He would always make the important point of the day that the model that matters. It's not your political leanings. It's your basic presumptions and assumptions that matter; it's your model that matters and not your political leanings. He'd always say in class, he'd say, "You know,"--to point this out, he'd say--"if you treat variables as constants, your thoughts are going to be screwed up." Thank you (applause)

MR. RICHARDSON: Excuse me, Professor--

MR. LAFFER: "if you treat variables as constants, your thoughts are going to be screwed up." Thank you (applause)

MR. RICHARDSON: Thank you. (applause) Thank you very much, Professor Laffer. And now for the negative, the former editor of the editorial page of The New York Times, Mr. John B. Oakes, another Ivy League graduate--Princeton. He was later a Rhodes Scholar, began his newspaper career with the Trenton Times in New Jersey, went from there to The New York Times and, as I've already indicated and for 15 years, served as its editor of the editorial page. He has observed events of the world for many years from many perspectives. Mr. Oakes. (applause)

MR. OAKES: A quite conservative businessman said to me the other day, "Frankly, I'm scared." He wasn't talking about supply-side incentives; he wasn't working now and, what isn't going to work in the future; he was talking about what this first year of Reaganomics is doing to our country, and that's what I'm concerned about too. I'm going to talk about reality, not theory. Leaving the technicalities to the economists, of whom we have an ample supply, what does Reaganomics really mean? It means nine million unemployed with more to come. It means an inflationary hundred billion dollar federal deficit with more to come. It means scatter-shot deregulation whose model must be caveat emptor. It means three quarters of a trillion dollars in individual and corporate tax benefits--three quarters of a trillion dollars in individual and corporate tax benefits over the next five years, rewarding Mr. Reagan's friends beyond the wildest dreams of Hollywood avarice. It means insensible cuts in public social services affecting not just the poor but every one of us. It means the most cynical use of public money to curry favor with private interests. It means a five-year military nuclear budget of a trillion and a half dollars so that we can overkill the Russians in a nuclear war X times more thoroughly than they can overkill us. (applause) Reaganomics is, in short, a combination of policies and lack of policies that, under a false front and false mandate, is exacerbating class and economic divisions at home and alienating us from our firmest friends abroad. Because our economy is so much bigger than everybody else's, what happens here affects everybody else, as Helmut Schmidt has reminded us again only the other day. With his warm smile and winning manner, Reagan is putting on an act that conceals a radical counterrevolution for which, in fact, he received no mandate, not even from that paltry 27 percent of potential voters who elected him to office. It didn't take the confessions of David Stockman, although of course they helped, to prove how the Reagan administration, with the connivance of a supine Congress, pulled a fast one on the American people with a grossly inequitable tax bill skewed in favor of individual, corporate and dynastic wealth. The tax bill of 1981--(applause) It's not the political leanings. It's your model that matters and insult to the middle class and to the working poor. Six percent of the population at the top will get 35 percent of the savings. The 41 percent at the bottom will get less than 3 percent of the benefits. If a corporation today thinks it can pay taxes at all under this bill, it had better see another lawyer. Even the $20 billion in loopholes that Stockman himself proposed closing--oil depletion allowances, real estate tax shelters, unlimited mortgage interest deductions, all the rest--sunk virtually without a trace and, what is worse, without a fight. As Stockman said, but in private, "The hogs were really feeding." But the Reagan charade went on. Reaganomics has no place for tax reform when it could mean recouping $70 billion for the treasury and saving that much of the deficit. What we are up against is an inflationary hundred billion dollar deficit, now more than twice as much as originally projected in a palpable, perhaps deliberate, miscalculation? Here we are with Reaganomics shows up to be as unprincipled as it is brutal. Virtually every thermality of life and to protect life itself through health, education, environmental preservation and social welfare has been decimated. Certainly the poor and the working poor are most immediately affected, but some across the board from cancer research to energy conservation affect every citizen, rich or poor. Reaganomics is applying early 19th century theory to late 20th century society. Under the guise of a phony fiscal discipline, actually, while the rich and Reaganomics are cynical enough to pass the buck back to the states when they know the states will be called on to provide

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essentially the same services by taxing essentially the same people. On the other hand, billions of dollars in corporate and agricultural subsidies, loan guarantees, outright political payoffs are handed out in total and totally hypocritical contradiction of the vaunted free market philosophy. Congress certainly has to share this blame, Democrats and Republicans alike, but Reagan and his cronies have brought their alleged principles when it comes to multi-billion dollar payouts through subsidies or tax breaks for snuffels and for sugar, for arms exporters and for peanut growers, for lumber mills and for nuclear power. Unable to find funds for some shadowy political pork, for consumptive, for consumptive and environmental preservation, they have no trouble at all in finding hundreds of millions in this year’s budget for such unsavory political payoffs as the $2 billion West Way, the most expensive four-mile highway ever to be built for benefit of New York’s political and power elite; the $4 billion Tenn-Tom--(applause)--the $4 billion Tenn-Tom Waterway, duplicating the Mississippi to keep the Army Corps of Engineers happy and Chairman Whitten of the House Appropriations Committee even happier; the $3 billion Clinch River fast breeder nuclear reactor, to reward Senators Majority Leader Baker for services rendered and for services yet to come.

MR. RICHARDSON: May we--(applause) May we have quiet please?

MR. OAKES: It’s not fair because of the applause. As for the defense budget, in Stockman’s immortal words, “The Pentagon got a blank check in an uncritical ideological gesture that will assure this country’s security by helping to wreck its productive economy.” What today’s $200 billion defense bill really defends is the same military industrial complex that that genuine conservative Eisenhower warned us against a quarter of a century ago and what it proves once again is that Reagan’s budget balancing act under the guise of Reaganomics is as fatuous as it is false, and so is his so-called war against waste. Students of the problem know that anywhere from 10-30 billions could be saved annually by management reform in the Pentagon, but that wouldn’t be an iron hand that the President reserves for welfare mothers. (applause) That’s all right. Thank you, but my time is really very-- A key element of Reaganomics is to get the government off the backs of the people. What that means in reality is to divest government of its responsibility to the people. Under Reagan, it means more than that. It mean subverting the will of Congress by eviscerating the regulatory agencies if they get in the way of business as usual. It means applying cost benefit analysis to environmental services where neither costs nor benefits can be measured in dollars. It means sacrificing the needs of the future for the greed of the present. Ronald Reagan is now concluding his freshman year as president. In my book he’s coming out of it with a string of D’s. These D’s are for deception, divisiveness and what I believe will be economic and social disaster unless that course in Reaganomics that he’s now following is drastically corrected long before he finishes his term in the White House in George Orwell’s fatal year of 1984. (applause)

MR. RICHARDSON: May we--(applause) May we have quiet please?

Mr. Oakes, as you suggest, let’s speak for a moment about reality rather than theory. Because you are, after all, sitting on the other side of the stage, I assume you, too, are an anxious liberal and therefore a good egalitarian. The facts of the Reagan tax cut are the two across-the-board tax cuts that have been passed in American history. I speak of the tax cuts of 1921 through 1924 and the Kennedy tax cuts. After these tax cuts were passed, the demand for tax-free securities dropped precipitously, the amount of returns sent into the IRS in the higher tax brackets jumped in every single bracket on the order of 300 percent and, after the tax cut--these across-the-board tax cuts--that the rich people were actually shouldering a larger tax burden than before and also paying more in absolute terms. Could you explain to me, as an egalitarian, why you oppose a tax bill to shift more of the tax burden to the wealthy? (applause)

Mr. Oakes: I thought I made it clear that the tax burden, irrespective of what previous examples have been—and I don’t think that your references to ancient history have really very much to do with the situation today, the whole economic condition of the country was totally different during the Kennedy tax cut than it is today—but irrespective of that, there is no evidence that I can see whatsoever that this tax cut is going to shift more of the tax burden to the wealthy, as you suggest; and I don’t think analogous 20 years ago or 50 years ago have any relevance to the situation today. I thought I made clear—I tried to make clear—why I felt that the cuts in the taxes of the wealthy disproportionally—wildly disproportionally—and corporate taxes also, to the tax cuts for the less advantaged will obviously benefit the former more than the latter.

Mr. Richardson: Thank you, Mr. Oakes. Thank you, Mr. Jenkins. The next question is from Mr. Paul Englemeyer, representing the Harvard Political Review, Mr. Kirk Jenkins, for a question.

Mr. Englemeyer: Mr. Laffer, the administration is fond of saying that a rising economic tide will lift all boats. Would you include those Brooklyn school children who had to receive discarded food at lunch the other day this week because of cuts in the school lunch program? Or would you include any of the other needy Americans hurt by Mr. Reagan’s cuts in social spending? And finally, when can we expect that rising economic tide to finally roll in?

Mr. Laffer: Let me, if I can, answer the last part of your question first, because I didn’t support a lot of these spending cuts that have gone through. In fact, that’s why I am a professor at the University of Southern California instead of with the administration. There are a lot of things I don’t agree with, although I think in general the administration is doing an awfully good job of getting the set going for economic growth. My view. But I don’t support a lot of the welfare cuts. But with regard to the economic tide, I think once it becomes worthwhile, frankly, not to postpone income and production; and I think that what you’re going to see is the same types of things that occurred in the ‘60s.
In 1961 we had the worst part of the recession. In 1961 we had unemployment of almost 7 percent. By 1965-66 we had unemployment below 4 percent. The same thing in the 1920s taxes, and that may be an ancient history, but I think the big thing about scholarship is that you look at history to judge what's going to happen in the future. That, to me, is-- (applause)

MR. RICHARDSON: Thank you. Thank you.

MR. LAFER: That, to me, is the essence of scholarship and that's what I think we should be doing here, and I think if you base it on the past and look at other countries, you'll find that in fact when you provide incentives to economic growth, you're going to have it and the poor will be a lot better off when the kids come home from school and they find a father who has a job instead of a father who's unemployed. As a professional educator, I think it's really important to help the whole child. (applause)

MR. RICHARDSON: Thank you. Thank you. Mr. Englemeyer and Professor Laffer. We now come to the closing statements of the principal antagonists, starting with Professor Galbraith, who has six minutes, who will be followed by Mr. Buckley, who also has six minutes. Professor Galbraith. (applause)

MR. GALBRAITH: Perhaps the time has come to be a bit more serious, even a bit pedantic--didactic. In the 20 years following World War II, after the repair of the war damage was over, say in the years from 1948-1970--12 years--the Western economies, including that of the United States worked very well. Prices were stable; there was continuing economic growth; there was a high level of employment. And I would like to suggest that this represented in its time an adaptation to circumstances--the demand for social justice: The sense of compassion that people felt should be displayed in an advanced industrial society; the notion of an equitable treatment in taxation, to recur to something that has been much discussed here; and the provision of social protection on the environment, on poisonous products, defective products, things for which the individual stood helpless in face of the large social structure which modern industry requires. And I would like to argue that liberals, conservatives alike fail to recognize that this achievement was part of a process of keeping abreast of constant change. There are no rules valid in the 18th century, as Mr. Buckley would believe, or in the 19th century, as more modern figures would suggest, which can be applied in the closing years of the 20th century. We live in a world of large organizations--of great corporations--and I must tell my colleague from Barron's that I indeed regard the great corporations which do two thirds of our business as the cutting edge of our economy--and trade unions and OPEC and farm organizations. And I do not believe that it is possible in this highly organized world to reverse to the policy and the economy of the past. Our problem, for people of all political persuasion, is one of adjustment. That is why, for example, I do not believe--and here I think I have the strong support of people who were long resistant--that one can control inflation, can control the interaction of wages and prices, can control expenditure by resort to the monetary policies--the monetary astrangency--which is being used by the present administration. I do not believe likewise that one can abandon and reverse track on the compassionate instincts which, with unquestionable inefficiency in many cases, helped to give the sense of people much poorer than ourselves--much less fortunate than this audience, however it is reviled--the sense of belonging to a just society. That's what I think the expenditure cuts do, as I think that the monetary policy does, as I think this abandonment of taxation for high interest tax--taxes accomplishes. The problem-- There is a problem for people of my faith to accept the wide-ranging accommodation to a constantly changing society, but if I were summarizing in one word, I would say, let's all avoid making a mistake we can make this accommodation by moving backward or moving to a just society or putting the burden, as we are, of these tax cuts on the poor--the burden of the expenditure cuts, as we are, on the poor.
Thank you. (applause) Thank you, gentlemen. Indeed, my only remaining duty is to thank Harvard University and, more especially, the Harvard-Radcliffe Conservative Club for sponsoring this event. To thank—and especially to thank the participants. I am one, was delighted, intrigued, edified, impressed, and left wishing that there were more. I think it's fair to say that there is more to be said on the fundamental issue to be debated, but we have certainly heard from the antagonists the points of view bearing on it, sharply illuminated, and I am sure that we will participate ourselves as citizens in this debate in the months ahead with a clearer understanding of the issues than we could otherwise have had. Thank you all very much. Good night. (applause)
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