How to write a memo to convince a president:

Walter Heller, policy-advising, and the Kennedy tax cut

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> "Today's talk of an 'intellectual revolution' and a 'new economics' arises not out of startling discoveries of new economic truths but out of the swift and progressive weaving of modern economics into the fabric of national thinking and policy" (Heller, 1966)

1. Introduction

There is a paradox at the heart of discussions of the influence of economics on society. Economics is often presented as being uniquely placed among the social sciences in its ability to shape policies, as encapsulated by terms such as "performativity" with regards to financial markets (McKenzie, Muniesa and Siu 2008, Boldyrev and Svetlova 2016), "economicization" with regards to microeconomic policy (see Berman and Hirschman 2014), or "market design." At the same time, hardly a week goes by without economists complaining that their policy advice is being ignored, whether on taxation, budget deficits, trade or immigration policy. [1] In France, Pierre Cahuc and Andre Zylberberg (2016) stired a heated debate when criticizing policy-makers, journalists and citizens at large for falling prey to non-academic pseudo-economic oracles rather than basing policy discussions on field-experiments by serious researchers. This anxiety was sufficiently widespread that Agnes Benassy-Queré, Olivier Blanchard and Jean Tirole (2017), acting on behalf of French

[1] A sample of columns published over the past year include : "Economics gets a presidential Demotion," 02/14/07 (https://www.bloomberg.com/view/articles/2017-02-14/economics-gets-a-presidential-demotion), "Why the public has stopped paying attention to economists" (06/28/16, http://www.thefiscaltimes.com/Columns/2016/06/28/Why-Public-Has-Stopped-Paying-Attention-Economists), "The public trusts academic economists but the media are losing interest"

Council of Economic Advisors, proposed solutions to the “difficult interactions” between economists and policy-makers. This feeling of helplessness is echoed on social networks and in conferences rooms alike, with researchers questioning whether economists ever had a substantial influence on their clients, and trading memories of a post-war Golden Age in which they were taken seriously.

Indeed, the wealth of work narrating how economists painfully gained reputation and trust during the XXth century hardly fail to mention the canonical proof that economists’ expertise had once been influential: it was Minnesota professor Walter Heller, 4th chairman of the Council of Economic Advisors (hereafter CEA), who convinced John F. Kennedy and Lyndon B. Johnson to propose a massive income and business tax cut, passed by the Congress in 1964. The facts are well known: Eisenhower’s legacy was a sluggish decade, with growth stuck at 2,5% per year and unemployment at 8%.[2] A recurring budget deficit, which topped 12 billions in 1959, impeded much-needed defense, education and welfare expenditures. Kennedy’s campaign was consequently focused on the promise of restoring growth, of “get[ting] this country moving again.” The candidate had nevertheless straightforwardly rejected the fiscal stimuli proposed by those economists, including Paul Samuelson, who had participated in his Democratic Advisory Committee. Kennedy came to the oval office with the notion, inherited from his father, that the budget should be balanced and the money supply tightly controlled. Under the influence of his CEA chairman, Heller, Kennedy became more favorable to sustaining a budget deficit, and by early 1963, he had submitted to Congress the largest peacetime *voluntary* budget deficit: $12 billion. He proposed to reduce income tax rate from 20-91% to 14-65% and corporate income tax rate from 52 to 47% and to abolish loopholes and preferential deductions to enlarge the tax base. He promised that, should the Congress pass his tax cuts, the 1965 budget would be equilibrated. The proposal was finally enacted in 1964, under Johnson. 1965 saw the smallest Federal deficit of the decade (1 billion), strong growth and unemployment down to 4%. The trend persisted throughout the decade, with inflation pressures gradually building in response to Johnson’s *War on Poverty* and the Vietnam War.

Though the extent to which the tax cut fueled this period of prosperity, and subsequent imbalances, is still fiercely debated, its positive effect on economists’ prestige

[2] This quick chronology is based on Bernstein 2001, chapter 3. See also references in footnote 3.

commands wide agreement.[3] Heller's CEA has contributed to shift economists' image from ivory tower technicians to useful experts and to strengthen public trust. It has been heralded as the canonical example for economists' ability to increase society's welfare, a symbol of a (some would say lost) golden age. Heller's influence extended beyond the tax cut. He was instrumental in putting a *War on Poverty* on the presidential agenda (Haveman et alii 2015) and in turning human capital theory into an argument in favor of federal funding for education (Holden and Biddle 2018). His peculiar status as the "economic experts' expert" was immediately recognized. He made *Time*'s cover twice in two years. No other CEA chair made the cover of the magazine before late 1976, and none ever made it twice as CEA chair. But if the fallouts of his expertise are well known, its essential features are less so.

The purpose of this paper is to reinvestigate how Heller channeled his expertise into policy, and how he subsequently drew lessons on how economists should engage with public reason. The paper first zooms onto the historical "footsteps" of Heller's CEA tenure: his memos. I show that Heller considered himself as "an educator of president," but that in *educating*, he was also led to commission some academic work that altered the science he was trying to disseminate. The underlying emphasis, thus, is not just on how economic knowledge affects public reason, but also how public reason shapes economics science. I then analyze how Heller "theorized" his and his colleagues' practices in the late 1960s, in particular what stance he took on three contentious issues: the place of science and persuasion in advisers' interaction with their publics, how much normative values are involved in advising, and whether advising should rely on a disciplinary consensus. I conclude that the institutional and personal context of the 1960s entailed a highly personalized vision of advising, at odd with the tool-based vision underlying the subsequent "economicization" of economic policy in the following decades.

2. "The President's economic education" and the art of memos

[3] On how the new economics CEA raised the prestige of economists, see Bernstein 2001, Okun 1969, 14. *Business Week*, February 5, 1966, p. 125. For a positive evaluation of their legacy, see Collins 2000 and Bernstein 2001. For a more critical assessment, see De Long 1997, Romer 2007, Kudlow & Domitrovic 2016)

The most idiosyncratic aspect of the tax cut episode was probably Kennedy's knack for economics, his willingness to discuss policy as well as theoretical aspects, his eagerness to read and digest memos and newspaper articles. Yale macroeconomist James Tobin remembers telling the president that he may not be the best pick as CEA member because he was a "sort of ivory-tower economist," to which the latter responded: "that's the best kind. I'm a sort of ivory-tower president" (quoted Bernstein 2001, 267, ft54). Yet, that Kennedy was drawn to economics did not make Heller's job easier. Not only was the president surrounded by advisors with conflicting economic policy views, but it was not clear, back then, that the role of the CEA as defined in the 1946 Employment Act was to promote specific policies. First CEA chairman Edwin Nourse and Eisenhower's chairman Arthur Burns conceived their role as being mere advisors to the president, providing technical reports and private forecasts and refraining from making public statements or testifying before Congress. The only exception was Truman's second chairman, Leon Keyserling, whose more activist stance created a stir (see Bernstein 2001, chapter 4). It was nevertheless one more congenial to Walter Heller's vision of the role of the economists within society.

The son of a civil engineer committed to public service, Heller was, by his own admission, one of those children of the Great-Depression who turned to economics because "explaining why [the economy flat on its back] and try to do something about it, seemed a high calling."[4] Economists from the University of Wisconsin, where Heller got his PhD, boasted a strong record in successfully influencing Wisconsin's policy-making, not least his PhD advisor, fiscalist Harold Groves (Johnson 2015). Heller's wartime contribution as a Treasury tax expert, his participation into the Marshall Plan and his lobbying for federally funded education in the late 1950 strengthened his identity as a "policy-oriented economist," a "do-something-about-it economist." As he was nominated CEA chair, he was ready, not only to provide forecasts and technical advice, but also to promote the policies he believed were supported by good science, to convince the president, to testify before Congress, to engage the media and the public. He also encouraged his two fellow CEA members to do the same. Tobin and budget specialist Kermit Gordon fully shared Heller's conception of the role of an economic expert, as did those economists who either work as

[4] Quoted in the article "The Pragmatic Professor" published in *Time,* Friday Mar. 03, 1961. See also Pechman (1987) and Tobin (1991)

CEA staff economists, Robert Solow and Arthur Okun, or who were close shadow advisors, like Paul Samuelson.[5] In a 1961 Time article, the 3 CEA frontiersmen thus described themselves as "pragmatists." Promoting the tax cut was a team effort. All 3 council members had extensive discussions with Kennedy on policy as well as on the common theoretical foundations they had borrowed from the *New Economics* articulated by Paul Samuelson at MIT.

That Heller primarily conceived his mission as educating the president infused his favorite tool: his memos. While communicating with presidents through memos was a standard practice already, Kennedy received more than 300 from the CEA (Heller 1967, 29). Some were written by Heller's colleagues, in particular Tobin, some were collective and aimed at discussing the economic outlook, specific events, or outlined rebuttals of newspaper opinion columns.[6] Heller's ones, always signed, were of a special kind: short, devoid of technical jargon but not of figures, with a clear and apparent structure, and main arguments systematically underlined. They usually began with a quantified depiction of the economic situation, a brief policy proposal, and extensive response to possible counterarguments. Tobin (1991, 103-4) explains that Heller had "an unmatched talent for finding the revealing examples, instructive jokes, and colorful metaphors that made his points succinctly, convincingly, and accurately." As for memos more specifically, he remembers:

> Walter knew how to get them read. He made friends with Ken O'Donnell, gate-keeper to the Oval Office, who would slip Walter's memo into the weekend Hyannisport briefcase. Walter had made it easy to read – short, pointed, colorful, and studded with the figures of speech that were the Heller trademark. The Treasury's thirty pages of bureaucratic prose were no competition (p. 105)

These memos were so convincing that, Heller remembers, president Johnson once held up one of his memos at a Cabinet meeting and said "Here's one of Walter Heller's memos. See

[5] Samuelson and Tobin's vision of the role of science and advocacy in public-advising is detailed in Romani (2018).

[6] See for instance "US-European budget comparisons as seen by the Post," June 4, 1962, Heller to President, https://www.jfklibrary.org/Asset-Viewer/Archives/JFKPOF-074-008.aspx. Unless otherwise mentioned, all archival material has been retrieved from the Digital Collection of the John F. Kennedy Presidential Library and Museum. Rather than providing boxes and folder references, then, I will provide web link throughout the paper.

how it's set up? That's the way I want you all to write your memos" (quoted in Crichton 1987). Below is what I believed was one of the memos that convinced Kennedy to endorse the 1963 Economic Report and the Special Message to the Congress on Tax Reform Heller had contributed to draft.

Excerpt of a "Memorandum for the President" by Walter Heller, December 16, 1962.[7]

Subject: Recap of Issues on Tax Cuts (and the Galbraithian alternative)

A. The Economic Case for Fiscal Action
   1. The cost of a slack economy
      a. The $30-40 billion loss of potential output in 1962 alone is
         - 8 times our total foreign aid,
         - equals total public and private expenditures on health and medical care
         - well exceeds total expenditures on education
         - is almost equal to the total GNP of Italy

      b. Similar losses have occurred in each of the past five years. Next year, without a tax cut, we would face a loss of the same order:
         - Normal growth of the labor force plus growth in productivity add more than $20 billion to our productive potential next year
         - Optimistic forecasts of actual GNP growth for 1963 without a tax cut is of roughly this magnitude

      c. We do not predict a recession in the first half of 1963, but there is still one chance in four or five that it will occur. And as expansion continues at a slow pace, the chance of a recession steadily increases.

      d. These are avoidable losses. Economics is no exact science; but economists are almost unanimous in holding that an active fiscal policy can prevent this waste. And experience in other countries, where popular and parliamentary devotion to outworn fiscal doctrine is less rigid, provides impressive evidence to support them.

   2. The danger of too little and too late
      a. This is a big country. For example: A budget deficit of $15 billion:
         - would be about 3% of potential GNP in 1963.
         - Is equivalent to a deficit of $1-1 ½ billion in 1933 (when GNP was 1/10 of its present level).
         - Is less as a percentage of GNP than Ike's record deficit of $12.5 billion, which translates into $16.5 billion in today's GNP

Our economy is basically healthy, but one doesn't treat an elephant earache with an eyedropper. 'This metaphor has not been certified by Galbraith.)

      b. Fiscal medicine is reasonably sure in its effects, but it takes time to work […]

B. The Political Case for Fiscal Action

[7] Retrieved at https://www.jfklibrary.org/Asset-Viewer/Archives/JFKPOF-063a-009.aspx

1. Congress may be lukewarm, but powerful groups throughout the country are ready for action. When the Chicago Board of Commerce, the AFL-CIO, the CED, and the US Chamber are on the same side – when repeated editorials in Business Week are indistinguishable from those appearing in the Washington Post – the prospect for action cannot be wholly dim. Can 3000 members of the NY Economic Club be wrong?
2. […]
3. Our world leadership – brilliantly asserted only a few weeks ago in the political field – would be strengthened by vigorous expansion of our exonomy. Continued economic slack saps our prestige and weakens the dollar. One looks for economic miracles today not to the homeland of revolutionary economic expansion, but to Wester Europe and Japan. A booming US economy can do more to cure economic sickness in Latin America – and other producing areas – than all our foreign aid […]

C. Why Cut Taxes Rather THAN Go the Galbraith Way?

[…]

1. But how could we spend an extra $9 billion in a year or two? This would be a 40 percent increase over FY 1963 Federal non-defense expenditures (excluding interest, agriculture, and social security) […] Attempts to enlarge spending at the rate required to do the economic job would lead to waste, bottlenecks, profiteering and scandal.

2. Politically, the case for tax rather than expenditure action is strong:

    - An expansion of spending would bring all of the charges of "fiscal irresponsibility" that attach to tax cuts – after all, deficits would be practically the same either way.
    - But on top of this would be all of the opposition to expansion of government, to over-centralization, to a "power grab" and a "take-over" of the cities, the educational system, the housing market.

3. Tax-cut-induced deficits are also far more acceptable to the world financial community than expenditure-induced deficits, ie, far less likely to touch off new gold outflows […]

In these memos, Heller rolled a peculiar argumentative style out. He usually began by explaining how the tax cut was consistent with Kennedy's overarching policy ends, that is, national defense and growth (it was an argumentative strategy he had already successfully wielded on education funding, Holden and Biddle 2017 argue). This is why the above December 1962 memo began with "top of economic agenda – must match our progress in foreign policy and defense with a restoration of full vigor of our domestic economy." This strategy was taken up by Kennedy in the first sentences of his Special message to the Congress a month later:

> "the most urgent task facing our Nation at home today is to end the tragic waste of unemployment and unused resources –to step up the growth and vigor of our national economy- to increase job and investment opportunities- to improve our

> productivity – and thereby to strengthen our nation's ability to meet its worldwide commitments for the defense and growth of freedom."[8]

Having argued that his proposed economic policy was in line with the President's broader aims, Heller proceeded to frame complex policy choices in simple economic terms: it was all about bridging "the gap." Already in memos issued early 1961, Heller hammered that the key question was "how do we close the gap between existing and potential levels of employment, production and income." He used the term so much that after a 1961 hearing Joe Pechman told him "gee, you ought to stop talking so much about the gap because it just isn't doing any good " (*interview reference*).

Though Heller refrained from using technical terms in his memos, he did not shy away from quantification. At the end of 1961, he sensed that he needed a better picture of how increasing the capacity of production utilization could help "bridge the gap." He therefore asked CEA staff economist Arthur Okun to quantify this "output gap." The resulting paper (Okun 1962), which introduced the famous "Okun law," illustrates the influence of policy concerns on economic research. In the introduction, he explained that "if programs to lower unemployment from 5 ½ to 4 percent of the labor are viewed as attempts to raise the economy's "grade" from 94 ½ to 96 [use of production capacity], the case for them may not seem compelling. Focus on the 'gap' helps to remind policy-makers of the large reward associated with such an improvement." Using 3 different techniques to estimate the relationship between unemployment and real GNP, he unequivocally concluded that each extra percentage point in the unemployment rate *above four percent* has been associated with about a three percent decrement in real GNP.

Setting the "full employment without inflationary pressure" target at 4% was a key assumption of the paper, though Okun explained that another target would only change the figures, not the method. It reflected, in his own word, a "subjective judgment" by Heller and his council economists (Okun 1969, 18). "I remember the general judgment that that's about where the public's tolerance of inflation would give out. Nobody at that time would have thought that 3 or 4 percent inflation would be an acceptable situation in the American economy. That's really a judgment about what kind of public reaction you get to the

[8] "Special Message to the Congress on Tax Reduction and Reform," January 24, 1963, http://www.presidency.ucsb.edu/ws/?pid=9387

tradeoff between consumer prices and unemployment rather than the question of what the real terms are on which the tradeoff operates," Okun (1969, 19) later explained. It was not the only case where Heller's quest for sound theoretical and empirical basis for the policies he was advocated stimulated new research. At about the same time, he asked Burton Weisbrod, senior staff economist at the CEA, to expand his quantitative analysis of the external benefits of education (Holden and Biddle 2017).

The last paragraphs of Heller's memos were usually aimed at de-dramatizing the consequences of a tax cut, namely budget deficits. He did so by showing that countries exhibiting a more rapid growth than the US, such as France, Italy or Germany, were not shy of running deficits to support aggregate demand. He also followed a gradual approach, first convincing Kennedy *not to* raise taxes to fund the additional $1 billion military expenses needed to face the building of a Berlin Wall in the summer of 1961 (see Okun 1969, 12-13). He also set to counter the "fiscal irresponsibility" argument, occasionally going downright political: "under present programs and outlook, a deficit in fiscal 462 is already in the cards," he wrote in December 1962. "Once fiscal virginity is lost, the size of the deficit matters very little to the critics of 'fiscal irresponsibility.' The Eisenhower $12 billion deficit should restrain the stone-throwing of Republican critics. Our deficit would be less, and it would come at the right time."[9]

3. Educating (or neutralizing) the whole decision chain

Persuading the executive branch

Educating the president was only part of Heller's job. The whole decision chain had to be persuaded, in particular skeptical presidential advisors and dissenting voices had to be silenced. In those years, macroeconomic expertise within the executive branch was scattered across the CEA, Douglas Dillon and Robert Roosa's Treasury, David Bell's Bureau of Budget and the Federal Reserve Board, whose chair, William McChesney Martin, served from 1951 to 1970. Their task was to provide forecasts, advice and coordination, and prepare the budget. Beyond routine disagreement on forecasts, these economists held divergent visions of the major economic threat Kennedy had to deal with. Dillon, Roosa and Martin were worried about the growing imbalance in foreign payments and the associated

[9] source

risk of gold drain, and Martin also closely monitored the deterioration of the value of the dollar. They also believed that the high level of unemployment was the consequence of the "changing structure of the labor force" rather than of slacking demand.

To dismiss "the official Republican diagnosis (or excuse) is that growing unemployment is due to changing structure of the labor force", Heller claimed that science was on his side. An early 1961 memo accordingly contrasted "the '*correct*' analysis [...] would be that most of our unemployment would respond to over-all measures designed to stimulate demand and investment [...] would call for substantial additional spending, tax cuts and deficits" with "the '*incorrect*' policy position that most of the unemployment and under-capacity operation are the result of structural factors."[10] Heller also emphasized the non-partisan character of his policies by providing long lists of individuals and organizations across the political spectrum that he had managed to convince that a tax cut was the best policy. A December 1962 briefing book listed the Committee for Economic Development, the AFL-CIO, New York Governor Nelson Rockefeller, the National Association of Business Economists, and, ironically, most of Eisenhower's CEA members.[11]

Heller copied those memos to Kennedy's closest policy aids. Ted Sorensen, Myer Feldman ad Richard Godwin, who had fiercely opposed budget deficits during the campaign, came to agree with the CEA, as did Treasury and Bureau of Budget officials. Heller invited them to meet with Fed chairman Martin on a monthly basis. He closely monitored the agenda and exchanges of these "quadriad" meetings (Ackley, 1974, 21). Through his memos, Heller even managed to defeat an alternative proposal to replace the $10 billions tax cuts with a $9 billions expenditure increase. The idea was carried by Kenneth Galbraith, who since their Harvard students' day was much closer to Kennedy than Heller, Tobin or Gordon were. In a June 1962 memo to Kennedy, Galbraith explained: "I do not think the country is ready for it [...] We cut taxes but do not pass an education bill. Not good [...] The psychological effect of an expansion drive of this sort [a program to make

[10] Memo from Heller to president, 02/24/61, "'Blue Ribbon' Advisory Committee on Full Recovery" (https://www.jfklibrary.org/Asset-Viewer/Archives/JFKPOF-063a-007.aspx)

[11] Heller, "Brief book on economic matters," 20 December 1962 (https://www.jfklibrary.org/Asset-Viewer/Archives/JFKPOF-063a-009.aspx)

jobs] will be just as geat as a tax cut.[12]" In response, Heller added a "Why cut taxes rather than go the Galbraith way?" section in his December 1962 memo: "how could we spend an extra $9 billion in a year or two?," he wrote. "Attempts to enlarge spending at the rate required to do the economic job would lead to waste, bottlenecks, profiteering and scandal." Moreover, extra spending would make the government vulnerable to suspicions of "over-centralization, power grad of the cities, the educational system." Tax-cut-induced deficit was more acceptable to the world financial community, he added, "ie, far less likely to touch off new gold outflows."

Neutralizing the Fed

Neither was Heller shy to testify before the Joint Economic Committee of the Congress, in an attempt to win support for the forthcoming bill. In the end, the only enduring resistance came for Fed chairman Martin. The longstanding fight for influence between Martin and Heller was not restricted to the tax cut issue. Martin was not trained as an economist, and was therefore impervious to Heller's arguments. He took office in March 1951 just after negotiating, as assistant secretary of the Treasury, a landmark agreement between the Treasury and the Fed (Hertzel and Leach 2012). The 1951 accord exempted the Fed from the interest rates pegging meant to support the government war debt financing, and he was therefore eager to reassess the Fed's newfound ability to pursue independent monetary policy. When Kennedy was elected, he did not offer his resignation, as was the practice in those years. To counter the deteriorating balance-of-payment, stabilize the value of the dollar and contain the inflationary pressures which he believed would derive from a tax cut, Martin intended to raise interest rates. In the early months of the presidency, he made it clear that he did not see fit to offset the upward pressures on the interest rates associated with the fledging recovery.

Heller's counter-attack was multifaceted. Longer and more technical memos to the president eschewed to Tobin, whose command of monetary policy was unrivalled. In his own memos, the chair took a broader view, emphasizing that the success of the tax cut required the implementation of an appropriate "mix." He was walking a tight rope: "monetary policy should be used, as needed, for balance-of-payments or price stability

[12] Memorandum from Galbraith to President on "tax Reduction," June 6, 1962 (https://www.jfklibrary.org/Asset-Viewer/Archives/JFKPOF-056-010.aspx)

reasons," he conceded, "<u>but don't offset the expansionary effect of tax cuts,</u>" he immediately underlined.[13] He argued that monetary policy should be discussed within quadriad meetings for the sake of "economic policy coordination," and suggested to fill the board of directors of the 12 district Banks with New Frontiersmen like Tobin or Solow. He repeatedly tried to convince Martin that, while short-term interests rates should be raised as needed to avoid a gold drain, the Fed should buy long-term bonds so as to keep long-term interests rates low ("buying long"). This would stimulate investment and risk-taking, he argued. Heller also brought their disagreement to the media, an unusual practice in these years: in the 1961 *Time* article, he declared: "high interest rates and budget surpluses are incompatible: an Administration has to choose one or the other. Since both tend to hold how demand, tight money and budget surplus acting together have a gravely depressing impact on the economy."

Sensing that he would not convince Martin, Heller labored toward proposing alternatives to control inflationary pressures. In the 1962 CEA report, he therefore advocated wage and price guideposts whereby wage increases should be guided by expected gains in productivity. And in the Spring of 1962, he convinced Kennedy to oppose price increases in the Steel industry. He also sought to alleviate the balance-of-payment constraint. The gold drain had been accelerating since the beginning of 1962, with the consequence that Martin was taking measures to raise the short-term interest rate. Heller convinced Kennedy to make a public statement to restore faith in the dollar. "The United States will not devalue its dollar … I have confidence in it, and I think that if others examine the wealth of this country and its determination to bring its balance of payments into order, which it will do, I think that they will feel that the dollar is a good investment and as good as gold," Kennedy declared during a transatlantic TV broadcast on July 23 1962.[14] Heller never succeeded in bringing Martin into line, and the Fed rates doubled during Kennedy's presidency. He nevertheless felt he had avoided more dramatic hikes on short and, more important for the policy mix, long term rates.

[13] source
[14] See https://www.armstrongeconomics.com/research/the-president-kennedys-telstar-news-conference-of-july-23-1962/

Engaging the public

Heller's final target was the lay pulic. In the early months of his tenure, he wrote in a memo to Kennedy that "a committee could contribute to public education on [...] "modern" solution such as deficit financing and expanded government programs, thus overcoming in part the results of eight years of miseducation and retrogression in economic thinking under the Eisenhower Administration (see footnote 13)." Heller devoted considerable energy to give talk to citizens, labor and professional organization, and also seized the opportunity to preach the Gospel through the media. He, Tobin or Samuelson, who had refused to chair the CEA but kept an eye on its progresses, regularly published popularization articles in *Business Week*, *Time, Life, Business Insider,* and so forth. In a December 1962 memo, he explicitly outlined why educating the public was both crucial and difficult, in terms that resonate today:

> "Problem of public attitude greater here, perhaps because of greater public participation in government decisions; Also, Americans are more prone to a tendency of 'each man his own economist.' In other countries, they're more likely to 'leave it to the experts.' And who's to say that our situation is worse, for a democracy?"[15]

In his memos, Heller therefore looked for ways to overcome "American people and the Congress's strong aversion to budget deficit."[16] His solution was to "repeat 'deficit of inertia vs creative deficit for expansion" argument," and this was precisely how Kennedy January 1963's message to Congress was framed: "our choice today is not between a tax cut and a balanced budget. Our choice is between chronic deficits resulting from chronic slack, on the one hand, and transitional deficit temporarily enlarged by tax revision designed to promote full employment and thus make possible an ultimately balanced budget," the president asserted.

Heller resigned in November 1964, in spite of Johnson's request that he stayed for another term. He was succeeded by Gardner Ackley, and remained a close advisor to the president. Ironically, he soon found himself on Martin's side. As Johnson proceeded into his

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15 source

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War on Poverty program, Heller sensed that the overheated economy had to be cooled by a tax increase. Absent such measure in the 1965 budget, Martin was right in warning that he would raise interest rates. This time, Heller failed to convince the president.

4. Does the advisor trump the scholar? Heller's view of the "political economist"

After his stint at the CEA, Heller returned to holding a professorship at the University of Minnesota for the rest of his life. Amidst his numerous talks to all sorts of lay and professional audiences, his testimonies, and his introductory economics and public finance courses, he found time to reflect on "Advising and Consensus in Economic Policy Making," the title of the first Godkin lecture he gave at Harvard in March 1966, published the next year. In those lectures, he took strong views on three characteristics of the economist's public role which had been hotly debated before and ever since: the respective role of positive and normative analysis, of science, education and persuasion, and of disciplinary consensus.

Fist, Heller insisted that "value judgments are an inescapable, obligatory and desirable part of the life of an economic adviser." "Merely selecting objectives for economic policy, as one must, involves us in normative choices," he continued. "'Full employment,' 'high growth,' and 'price stability' may have a hard economic ring, but they are only proxies, if you will, for such social goals as personal fulfillment, a rising quality of life, and equity between fixed and variable income recipients." He even considered that "value judgment are *obligatory* under the Employment Act, which requires the setting of target levels of employment, production, and purchasing power" and that pretending otherwise would make the adviser "unfit to serve." It is therefore the task of the political economist to "press the case" for some measures and against others. Yet, Heller did not believe that in doing so, the economist was engendering his objectivity, scientific credibility and integrity. Those were ensured by "selective silence," by keeping close ties with his professional base, and by returning to academia after a period of service in the government.

Another reason why Heller did not believe his "open advocacy" in favor of a tax cut, a war on poverty or price guideposts endangered his scientific integrity is that he perceived them as directly deriving from ends set by the Full Employment act and the President and those means "correct analysis" were pointing to. More important than analyzing and advocating, therefore, was his *education* mission: ""education – of the president, by the President, and for the president – is an inescapable part of an economic advisor function," he wrote. Heller took office with the view that "the major barrier to getting the country's economy moving again lay in the economic ignorance and stereotypes that prevailed in the land" (Heller 1967, 26). He thus labored so that "the analytical models of the economist" are implanted "in the minds of Presidents, congressmen and public leader." He was confident that economists' conceptual advances and quantitative research would "replac[e] emotion with reason" (p9). What he and his colleagues considered dangerous "myths and false fears" included the notion that sound public management required a balanced budget.[17] Even economists had to be re-educated, since, they were unduly focused on mitigating "cycles" rather than "closing the output gap."

The first mind to educate what that of the president, but as Kennedy himself conceived the "White House as a pulpit of public education in economics" (Heller 1967, 26), education "of" the president turned into education "by" the president. An example Heller, Tobin (1991, 103-4) and Okun (1969, 13-14) often referred to was the commencement address Kennedy gave at Yale in June 1962. The president's speech did not merely closely mirror the arguments found in Heller's memos. Kennedy "wanted a myth-exploding speech," Okun (1969,14) remembers, "and he ordered that it be focused on economic policy." The resulting discourse was thus explicitly designed to fight myths:

> "Today I want to particularly consider the myth and reality in our national economy. In recent months many have come to feel, as I do, that the dialog between the parties—between business and government, between the government and the public—is clogged by illusion and platitude and fails to reflect the true realities of contemporary American society .... The myth persists that Federal deficits create inflation and budget surpluses prevent it. Yet sizeable budget surpluses after the war did not prevent inflation, and persistent deficits for the last several years have not upset our basic price stability. Obviously deficits are sometimes dangerous—and so are surpluses."[18]

Promoting the role of the economist as an educator was however nothing original. In spite of substantive disagreement on both style and substance (see

[17] Samuelson, quoted in Romani (2018, 10-12) talked about "folklore."
[18] "Commencement Address at Yale University," June 11, 1962, consulted on September 9 2018 at http://www.presidency.ucsb.edu/ws/?pid=29661

below), Reagan CEA chair Martin Feldstein (1992, 1229) concurred that he had always regarded testimonies to congressional committees, speeches to a wide array of audience, TV and press interviews as "opportunities to teach economics." Nahid Aslabegui and Guy Oakes (2018, this volume ?) document AC Pigou's belief that the British public was woefully ignorant of economic affairs. The welfare economist came to understand economists' role as being responsible for "enlightening" the public on how to understand and assess the merits of economic policies so as to generate "assent." He chose to do so through, for instance, writing *The Times* and writing "low and middle-brow" pieces. He also believed in non-partisanship and advised his colleagues to cultivate a "detached mind." The Wisconsin institutionalists who trained Heller supported a "practical problem approach," Marianne Johnson (2018, this volume?) explains. They accumulated "persuasive evidence" with the goal of producing "confident knowledge" meant to persuade policy-makers, and "educate," even "control" laborers and immigrants. One key difference with these economists, however, was that Heller considered those he needed to educate as intellectual equals, not inferiors or ignorants. He considered Kennedy and Johnson "as the first modern economists in the American presidency" (1967, p37).

A final reason why Heller did not feel that his role as an advisor might threaten his scientific values was his perception of a disciplinary consensus: "The rising star of the political economist is also correlated with growing professional consensus […] comparing economists of today with those of twenty-five years ago, I am sure it is fair to say that there is more of both the Keynesian and the conservative in us all […] We do agree that the economy cannot regulate itself. We now take for granted that the government must step in to provide the essential stability at high levels of employment and growth that the market mechanism, left alone, cannot deliver." As someone jousting with fellow economists on a daily basis he did not deny that "there is plenty of room for controversy on the degree and form of government action," but consensus on "governing principles" is growing, he nevertheless believed. The political economists was thus tasked with building on that disciplinary consensus to become a "consensus-seeker […] carrying the economic gospel not only to the uniformed by to the skeptic and the heathen." Pivotal in Heller's perception of a disciplinary consensus was the institutional unification offered by the 1946 Employment Act, which he systematically referred to when discussing policy-advising. By the early 1980s, Feldstein (1992, 1926) argues, "the professional consensus rejected the premise on which the CEA was originally established: that fiscal policy should be managed to maintain full employment. The emphasis shifted from fiscal policy to monetary policy and from the maintenance of full employment to the goal of price stability."

Heller's depiction of policy-advising as *education* was thus underpinned by his confidence that he was disseminating "correct" economic analysis. To what extent his practice in fact can be described by historians as rhetoric or persuasion is thus a matter of debate. Those terms are often negatively connoted. Romani (2018, 14), for instance, argues that the new economist' attitude was one of "apostolic zeal, overconfidence and insufficient tolerance of rival approaches which suited more an ethical creed than a scientific theory… "belief in the neutrality of their policy theory, coupled with their passion for the public good." Yet, as Deidre McCloskey (1994, 17) argues, "there is nothing shameful in this logic and fact of scientific rhetoric."[19] Her goal was to craft a theory of scientific communication for economics richer than the "sender-to-receiver" one, by taking into account the fact that figures of speech and choices of metaphor matter. Heller himself (1967, ??) indeed believed that, beyond education, the political economist should also be involved in "adaptation and translation," which he described as "tak[ing] the highly refined and purified concepts of economics and to convert them into workable and digestible form for service." He was explicit that his team had to devote time not only to develop what was "economically workable," but also what was "politically marketable" (Heller 1967, 27). The 1987 *New York Times* portrait in which Heller was described as an "educator of presidents" was titled "Presidential Persuader" (Crichton 1987). Okun (1969, 20) was equally sensitive to the importance of blending analysis and "salesmaship," and sensed Heller excelled at it:

> It was that that put all the emphasis on educating the President, the Congress, the public, making the case publicly--you know, really improving the packaging, the labeling, the palatability of the medicine rather than improving the prescription at that time . Obviously, we did a lot of economic analysis […] But I think still you'd find that the largest

[19] As Heller's endorsement of the normative aspect of policy-advising shows, the new economists did not believe their theory was "neutral." Rather, they thought it was the right means to promote the ends put forth by the Employment Act, one consistent with their emphasis on unemployment rather than price stability or balanced budget.

> emphasis of the Council's activity was on the salesmanship of a product rather than on the development of a superior product, because that was what the real need was . And I think it's fortunate historically that Walter's personality and talents fitted in immensely well for that. He's a great publicist ; he's a great salesman.

It may not, in the end, make sense to try to disentangle the scientific, the education and the persuasion aspects of economic policy-advising. There are not separate layers, but flavours of the same practice.

5. Conclusion: questions on economists and public reason

This account of how Heller persuaded Kennedy to implement a tax cut raises several questions. First, it challenges the notion of a pipeline that runs from science to expertise and policy-making. The tax cut case shows that knowledge produced in the academia – whether cycles are demand or supply driven and how to offset them – are put to work in the policy arena, but also, that questions emerging from the latter shape economists' work and interest. The "output gap" was Heller's subjective interpretation of the economic situation *before* it was measured by Okun and became a cornerstone of the Keynesian synthesis. Okun's estimation of the employment-growth relationship therefore crucially relied on a collective subjective judgment, that the optimal rate of unemployment was 4%.

Second, it challenges economists' belief that a professional "consensus" is a precondition for disciplinary expertise to become successful. Such belief is seen in the advice offered by Benassy Quéré, Blanchard and Tirole 2017 to fix the tensed relationships between French economists and policy-makers: they should "showcase consensus," as American economists do. They thus suggest to "establish a panel of economic experts who are questioned each month on a practical question involving economics or economic policy." (p11). The notion that consensus reflect sound science has also been built into the legal system. The 1993 US *Daubert Decision*, for instance, stipulates that an evidence used in the courtroom has to go through a peer review process, must display a conventional level of statistical significance, and must be "consensual" within the scientific community it originates from (see Chassonery-Zaïgouche 2016). While Heller believed the rising prestige of the political economist was tied to some disciplinary convergence, his practice largely consisted in defusing opposition and actively *building* a consensus rather than publicizing one. Also, the existing consensus was engineered as much by the changes in the legal framework, in particular the 1946 Employment Act which set the goals for economic intervention, as by theoretical unification.

Finally, it shows how "personalized" Heller's practice, as well as his vision of policy-advising was. Though in the Presidential Address he gave to the *American Economic Association* in 1974, he emphasized the strengths of the *tools* developed by postwar economists , he never lost sight that these tools were wielded by persons with specific views. For all its bureaucratic apparatus, economic policies were selected by presidents, and it was the president of the United-States economists needed to educate and persuade. The completion of the Keynesian Revolution had "put the political economist at the President's elbow," he wrote, adding that "given the uses of political economy as a source of effective Presidential power; given the compatibility, in this context, of power with freedom; and given the statutory responsibility for maintaining prosperity in an economy that, by its nature, cannot be self regulating , one finds hard to imagine a future President spurning professional economic advice and playing a passive voice" (1996, p14-15). Even as the policy consensus he had advertised in the 1960s had evidently crumbled in the 1980s, his lectures retained a focus on Reaganomics or "Reaganology," one architected by his "supply-siders" advisers : "the Super-supply siders who sold Reagan a bill of goods on the basis of flimsy theory and evidence had two main points."[20]

As a result, Heller's influence on American policy was not just one of concepts and tools (like the "output gap"), it was one of substance (which policy to implement). Yet, the consensus among historians and sociologists of economics is to view economists' direct influence on the content of policies has been limited. Their important influence, Elisabeth Berman and Dan Hirschman (2014) explain in a recent survey, is in their contribution to the "economicization" of public policy through shaping the data that influenced policy decisions –GDP, CPI indexes, unemployment rate–, the range of questions which could be

[20] Econ 1001 lecture notes for November 29, 1983 folder "Fall 1983," and for 3/8/83 folder "Winter 1983" folder box 1, Walter Heller Papers, University of Minnesota. Heller's Econ101 notes, as well as his public lectures, were ripe with sentences like « which, in turns, traces considerably to Carter's decontrol of oil prices, with Reagan just speeding up the last installment of that decontrol» (lecture notes for November 15, 1983) or « covered the Nixon pump up of the economy behind the facade of wage-price controls and the failure of Carter to recognize the excess demand that was building up and take action» (notes for February 28, 1983, folder « Winter 1984 »)

asked – increasingly focused on efficiency–, and the socioeconomic tools to implement and evaluate policies – from cost-benefit analysis to auctions and scoring techniques. They also argue that the more technical the issue (for instance financial or monetary regulation), the more influential the economists in charge, and that economists' influence is more salient in periods of greater uncertainty.

How can these two perspectives be reconciled? One way to do so is to make a distinction between the influence economists/experts and economic knowledge/expertise. As economic statistics, quantifications and tools have become more and more influential in policy-making and public management, it seems that economists have become less so. Heller was successful in altering tax policy because he had a clear vision of what the policy decision-chain looked liked, and he was willing to take action at every stage: convincing the president, the quadriad, the Congress, the public. One is therefore left to wonder whether economists have lost the ability to weight on these different stakeholders, or whether the decision chain has grown too complex for them to do so, and what exactly is economists' agency and control over the use of the tools they created, be it cost-benefit analysis, scores, auctions, or else. How much, for instance, was favoring efficiency over some specific kind of distributional concerns an indirect consequence of economists' search for analytically tractable models, or of government offices discontinuing programs and public/private patrons' agendas?

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