

FISCAL POLICY DURING THE KENNEDY ADMINISTRATION (1961-1963)

by *1234*

FERDINAND ULLRICH

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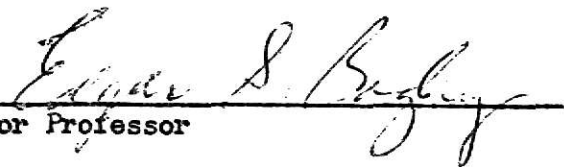
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Major Professor

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CHAPTER I

INTRODUCTION

The topic "Fiscal Policy During the Kennedy Administration (1961-1963)" has been chosen for various reasons. An active fiscal policy was practiced, and methods used during that period have been repeatedly used by Kennedy's successors. So a study of that period helps to understand the various measures undertaken by the government in the following years.

The report is divided into four main parts. The first chapter, Introduction, gives a survey of the report, and explains what is meant by fiscal policy. The second chapter, The Fight Against Recession, deals exclusively with the fiscal policy from 1961 to 1963. The first two parts of that chapter show the problems which the Kennedy Administration had to face and the first measures they took in order to solve them. It gives an insight into the variety of actions which were undertaken in 1961. In the following two parts deficit spending and measures to provide a stimulus for investment are discussed thoroughly. Single measures were not regarded any longer but the question was asked, "How much, all measures taken together, from 1961 to 1963, the economic situation of that time was influenced?" A summary at the end of the second chapter summarizes the economic developments of that period.

Chapter III deals with the tax reductions, which were initiated under President Kennedy, but signed and enacted under President Johnson. Although the tax reductions did not take place during the Kennedy Administration, it

has been regarded widely as a fiscal policy of his administration. In showing how effective the tax-cut policy was, the years of 1964 and 1965 had to be discussed.

In chapter IV a short summary of developments in the U.S. economy during this period is given. As economic measures undertaken by the government do not very often have an immediate effect on the economy, it seemed to be reasonable to go beyond the year of 1963 and summarize economic developments until 1965. Some critics concerning the fiscal policy of the Kennedy Administration are presented in this last chapter.

"The basic task of Federal fiscal policy is to help to provide a total market demand for goods and services that neither exceeds nor falls short of the economy's productive capacity at full employment."^{1/}

While in this above quotation Slesinger stressed the necessity that the economy should operate at its full productive capacity, which can be regarded as a final goal of fiscal policy, one usually thinks of the three objectives, which are price level stability, full employment, and equilibrium in the balance of international payments. To these three objectives is usually added a fourth one, the aim of stimulating economic growth, which is regarded more and more as an essential objective of fiscal policy. In order to achieve the above mentioned goals one must consider the following basic requirements:

1. The productive capacity of a country grows steadily over time. This implies that demand must grow too. If demand does not grow as much as the

^{1/}Reuben E. Slesinger, National Economy Policy: The Presidential Reports (Princeton, New Jersey: D. van Nostrand Comp., Inc., 1968), p. 172.