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#75 meeting notes	open 3-4 96 NLS 95-209 meeting with advisors - 3 p. possible classified information CONFIDENTIAL per NSC 121-83	11/19/68	A
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FILE LOCATION

Meeting Notes File, Box 3

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NOTES ON THE MEETING IN THE CABINET ROOM
NOVEMBER 19, 1968

THOSE ATTENDING THE MEETING WERE:

The President
Secretary Rusk
Secretary Clifford
William McChesney Martin
Walt Rostow
Harry McPherson

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Chairman Martin: We've bought \$520 million in gold from France. French gold holdings reduced \$1 billion plus DeGaulle says they won't devalue. But the run on the Franc is terrific.

The French have put the bee on Fowler. He tried to persuade the Germans to revalue. They won't but have decided on new taxes that will reduce their surplus some.

The President: \$1 billion?

Chairman Martin: About that. Prime Minister Wilson said if the Franc is devalued 15%, the pound would be under great pressure. The meeting of ten in Bonn on British urging. But after it was called, Jenkins said (after the new German tax was announced) it should be called off. Fowler felt we had to go through with it. Couve has been threatening devaluation. So far this is not a dollar problem.

On Friday, the Germans took in \$800 million dollars; Monday, \$350; Tuesday \$500 million.

The President: I've been urged to call Kiesinger and ask him to up-value, otherwise the pound is in trouble. The questions is whether I should tell Kiesinger this is the most serious situation in some time.

Walt Rostow: Right now this is premature.

The President: What is our offensive strategy? What will you recommend tomorrow?

Chairman Martin: 1. The French should not devalue. 2. We should work out a credit package for them, about \$550 - 600 million. The French have resisted this, but the 10 at Bonn may strongly recommend it. The Germans may also go up with the package.

Secretary Rusk: I hear (from Debre) that Couve does not understand the gravity of the problem.

Chairman Martin: I think they haven't understood. This came swiftly. The Germans are a problem.

The President: Strauss is like a stone wall. He won't revalue.

-- We'll be working out our Budget.

-- Nixon says we shouldn't extend surtax.

-- Mills says unless Nixon fights for it, the surtax won't be extended.

-- We'll spend \$186 this year. We should take in about \$186 next year.

I'm instructing the Cabinet to keep expenses down.

-- But we've got \$9 billion extra in mandatories, (\$4 billion pay, \$1 billion retirement) which the Departments cannot absorb. I hope my deficit will be 4-5 billion. If so we may have to cut 20% out of Vietnam.

The President: Should the surtax be extended?

Chairman Martin: Yes.

The President: I don't want to create problems for Nixon. How can we get around that?

Secretary Clifford: "Conditions change." I think the tax should stay on. You would show responsibility. You could tie this to Vietnam. If the war ends, you won't need it.

The President: Saying I won't extend it is the only control I have over Departmental expenditures.

Walt Rostow: We could tell Nixon we need the tax for the very stability we have developed so painfully for the dollar and international markets.

The President: Danang's being shelled. Thieu says he can't move further. The DMZ is not being closely watched. I saw Walter Reuther and Clark Kerr tonight. Reuther wants a cease-fire over Christmas-Tet.

I think we are going to have to fish or cut bait out there. I think they're not paying any attention to the Paris agreement. They hit 9 cities today. On the other hand, Thieu is intransigent.

The President: (Read Wilson's cable). I don't think the Germans will do anything. Credit packages don't last long. The Germans won't do anything

to upset a farmer. You know what happens if farmers lose a few marks. They hang themselves by their belts.

(BACK TO SOUTH VIETNAM)

The President: Have we done all we can on Vietnam?

Walt Rostow: We have some language giving them "the leading role" on matters of political settlement.

The President: Even Walt is getting a little hard on Thieu.

Secretary Rusk: We can't prejudge the entire negotiations as he is doing.

The President: I told Thieu he was dealing with more firendly President now than he would in the future. I don't know anybody in this country who admires their attitude.

Secretary Rusk: We may want to get to Hanoi and Paris on the cities and the DMZ. Designate the cities, and discuss operational question.

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