

LBJ LIBRARY DOCUMENT WITHDRAWAL SHEET

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Doc #	Doc Type	Doc Info	Classification	Pages	Date	Restriction
22	Memo	Memo for the President From Jim Jones (Dup. #14, Meeting Notes File, "[September 15, 1967 - 7:27 p.m. Meeting with Foreign Policy Advisors]," Box 2 Sanitized per FRUS	TS	4	9/15/1967	A
27	Memo	Memo for the President From Jim Jones (Dup. #7 Meeting Notes File, "[September 12, 1967 - 1:25 p.m. Tuesday Luncheon]," box 2 Sanitized per FRUS	TS	8	9/12/1967	A
29	Memo	Memo for the President From Jim Jones (Dup. #2 Meeting Notes File, "[September 5, 1967 - 1:05 p.m. Tuesday Luncheon]," Box 2 Sanitized per FRUS	TS	9	9/5/1967	A

Collection Title Meeting Notes File, Addendum

Folder Title "Notes Taken By Other Staff Members, 1967"

Box Number 4

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Initials

MASTER LIST -- NOTES OF MEETINGS

WITH THE PRESIDENT

1967

Taken by other than W. Thomas Johnson

(1)	Aug. 11, 1967	1 p.m.	Oren Lee Staley (NFO President) David Parr Harold S. Nelson Sec. Freeman	DeVier Pierson
(2)	Aug. 14, 1967	6:50 pm	Kiesinger preparations	George Christian
(3)	Aug. 15, 1967	1:25 pm	Business leaders	George Christian
(4)	Aug. 19, 1967	8:35 pm	Rusk, McNamara, Wheeler, Rostow, Christian	Jim Jones
(5)	Sept. 1, 1967	1:40 pm	Business Leaders	?
(6)	Sept. 5, 1967	1:05 pm	Weekly meeting	Jim Jones
(7)	Sept. 6, 1967		News Publishers and Columnists and Vietnam Election Observers	Larry Levinson
(8)	Sept. 6, 1967	11:09 am	Vietnam Election Observers	Jim Jones
(9)	Sept 6, 1967	1:20 pm	Publishers and Vietnam Election Observers	Jim Jones
(10)	Sept. 11, 1967	7:10 pm	Asian Bank Legislation	Jim Jones
(11)	Sept. 12, 1967	1:25 pm	Weekly meeting	Jim Jones
(12)	Sept. 12, 1967	6:42 pm	Congress members on Asian Bank legislation	Jim Jones
(13)	Sept. 6, 1967	11:09 am	Vietnam Election Observers	George Christian
(14)	Sept 13, 1967	12:32 pm	National Security Council	Jim Jones
(15)	Sept. 15, 1967		AFL-CIO Executive Council	Larry Levinson
(16)	Sept. 15, 1967	7:27 pm	Rusk, McNamara, Unger, Rostow	Jim Jones
(17)	Sept. 19, 1967	8:36 am	Congressional Leaders	Jim Jones
(18)	Sept 20, 1967	1:30 pm	Preparation for March on Washington	Marvin Watson
(19)	Sept. 20, 1967	6:30 pm	Australian Broadcast Group	Charles Maguire
(20)	Oct. 2, 1967	5:55 pm	Congressional Leadership	Jim Jones
(21)	October 5, 1967		Director General, UNESCO and William Benton	Douglass Cater
(22)	Oct. 13, 1967		Weekly luncheon Oct 10, 1967	George Christian
(23)	Oct. 25, 1967		Abba Eban and Israeli group	George Christian
(24)	Oct. 31, 1967	5:35 pm	Congressional Demo Leadership	Jim Jones
(25)	Nov. 3, 1967		Acheson, Bundy, Dillon, Dean, Lodge	Walt Rostow
(26)	Nov. 2, 1967	8:15 am	Vietnam meeting	Walt Rostow
(27)	Nov. 2, 1967		Foreign policy advisors	Jim Jones

(28)	Nov. 4, 1967	2:20 pm	Weekly luncheon	Jim Jones
(29)	Nov. 4, 1967	<i>and interview</i> <i>2/24/68</i>	Foreign policy advisers	Walt Rostow
(30)	Dec. 5, 1967	5:31 pm	Governor John King of N H.	Marvin Watson
(31)	Dec. 5, 1967	11:28 am	Former Gov. Frank Morrison	Marvin Watson
(32)	Nov. 15, 1967	5:15 pm	Covey Oliver, Am Amb to Peru	Bill Bowdler
(33)	Nov. 18, 1967	4:30 pm	Tax Increase meeting	Rostow
(34)	Nov. 20, 1967		Bipartisan Leadership on Devaluation of the Pound	Rostow
(35)	Dec. 14, 1967	1 p.m.	Ambassadorial Luncheon	Goldstein

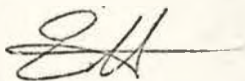
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THE WHITE HOUSE
WASHINGTON

Friday, December 15, 1967

FOR MRS. ROBERTS

Per our conversation today.
Hope this meets the need.


Ed Hamilton

2a

Suggested Item for the President's Diary

SUBJECT: Meeting with His Excellency B. K. Nehru, Ambassador of India; Dr. P.K. Banerjee, Minister, Embassy of India (Edward Hamilton was also present.) 1:20 p.m., Dec. 14, 1967

Ambassador Nehru told the President he had come to say goodbye. After thirteen years in Washington, six as Ambassador, he was returning to India to become Governor of one of the important Indian states (Assam) on the border of China. He thanked the President for the pleasant and constructive attitude he and his predecessors had shown toward India and wished him well in the future.

The President replied that Ambassador Nehru had always conducted his assignments with great intelligence and dignity, and that all Americans were sorry to see him leave. The President asked the Ambassador to extend his greetings to Mrs. Gandhi and expressed his hope that Indo-U. S. relations would continue to improve. He particularly emphasized that India, despite her pressing social and economic problems, could be a strong force for good in the world by serving as an objective observer and reporter of international behavior. Often a simple, accurate, credible statement of the facts in international disputes can be a great factor in their settlement. Ambassador Nehru agreed that this was a proper role for India.

THE WHITE HOUSE

WASHINGTON

December 1, 1967

4:30 p. m.

MEMORANDUM FOR JUANITA ROBERTS

From: Ernest Goldstein *Ernie*

Re: November 30 luncheon in honor of Governor Connally

On November 30, 1967, Mr. Ernest Goldstein hosted a luncheon attended by 11 Latin American Ambassadors: Ambassador Hugo Margain of Mexico; Ambassador Francisco Linares, of Guatemala; Ambassador Ramon Clairmont-Duenas, of El Salvador; Ambassador Sevilla Sacasa, of Nicaragua; Ambassador Fernando Ortuno, of Costa Rica; Ambassador Ricardo Arias, of Panama; Ambassador Hernan Echavarria, of Colombia; Ambassador Enrique Tejera-Paris, of Venezuela; Ambassador Vasco Leitao da Cunha, of Brazil; Ambassador Celso Pastor, of Peru; and Ambassador Julio Sanjines, of Bolivia.

The luncheon was in honor of Governor John B. Connally of Texas, and he and the invitees shared mutual interest in Hemisfair.

The Vice President attended, along with Ambassador Symington, Mr. Walt Rostow, Mr. William Bowdler and Mr. Robert Sayre from the Department of State.

During the luncheon the Vice President asked Governor Connally to say a few words concerning Hemisfair.

Governor Connally addressed himself to the desirability of full participation by all Latin American Ambassadors in this world's fair, and he described developments to date.

Shortly thereafter, President Johnson entered and Mr. Goldstein and Ambassador Symington presented the Ambassadors to the President. The President greeted each of the Ambassadors individually and had a special abrazo for the Dean of the Diplomatic Corps, the Ambassador from Nicaragua.

The President then joined the group and asked what had been said about Hemisfair.

He talked of the difficulties in getting a family picture at this time that would include not only his grandson, but his son-in-law to be, and showed the picture to the group.

He then pointed out how important it was to have the whole family at Hemisfair, and the message was well received.

The President then went on to reminisce about some of his experiences in Mexico, as well as the neighborly activity that characterizes the American-Mexican boarder in good times and in times of disaster.

The Ambassador of Nicaragua rose to address his respects to the President, the Vice President, Governor Connally and Mr. Goldstein, and he expressed his great admiration, respect and affection for the President; he did so not only in very warm personal terms on behalf of himself, but also on behalf of the other Ambassadors.

Shortly thereafter, the President left.

During the ensuing discussion the Ambassador of Guatemala expressed himself very fully concerning the importance of such meetings with the President in making our Latin friends feel themselves truly to be part of the family. The Bolivian Ambassador thought that this occasion was of great significance and he appreciated the opportunity to be able to discuss informally with people in the White House some of the problems of concern to his country.



Ernest Goldstein

THE WHITE HOUSE

WASHINGTON

December 15, 1967

3:00 p.m.

MEMORANDUM FOR JUANITA ROBERTS

Subject: Ambassadorial Luncheon, December 14, 1967

On December 14 at 1:00 p.m., Ernest Goldstein was host at a luncheon in the Fish Room which was attended by the following:

Ambassador Karel Duda, of Czechoslovakia; Ambassador Hubert de Besche, of Sweden; Ambassador Maurice Steinmetz, of Luxembourg; Ambassador Olavi Munkki, of Finland; Ambassador Charles Lucet, of France; Ambassador Bogdan Crnobrnja, of Yugoslavia; Ambassador Jerzy Michalowski, of Poland; Ambassador Symington; Mr. Stoessel, Mr. Fried, Mr. Davis and Mr. Goldstein.

At -- p.m. President Johnson, accompanied by the Indian Ambassador, His Excellency B. K. Nehru and the Indian Minister, Dr. Purnendu Kumar Banerjee, joined the group. The Ambassadors were presented to the President and they were also introduced to Ambassador Nehru and Minister Banerjee.

The President told the group that this was the final visit by Ambassador Nehru before returning to his country, and the President exacted from Ambassador Nehru a promise to come back soon to the United States. The President asked whether Minister Banerjee would be in charge, and the President received an affirmative reply, to which he reacted by suggesting that he was sure he and the Minister would work together in harmony.

Thereupon, Ambassador Nehru and Minister Banerjee departed and the President joined the luncheon group at the table.

The President opened his remarks by saying that he never knew of any one who was elected on a platform of doing bad. It was his feeling that all human beings, or most human beings preferred

to do the right thing, and that trouble arises from misunderstanding and poor communication.

The President took note of the differences in climate, environment, language and customs that mark the peoples of the world, but he suggested that none of these differences automatically required hatred or mistrust or misunderstanding.

The President suggested that it was the duty of all of us, and particularly the Ambassadors to make sure that we do communicate, and he suggested that a further insurance against misunderstanding lies in the encouragement of people from all nations to travel, to visit other peoples in every corner of the world.

There was some discussion of the Czech and the French participation in Hemifair, and further renewal of the President's theme of the importance of avoiding misunderstanding.

The President left the group at -- o'clock.

In the ensuing discussion the Yugoslav Ambassador commented that he could kick himself for not having accepted the President's invitation to make comments or to pose questions. He said he was so completely wrapped up in the President's words that he forgot to ask the President for his views on "bridge building" between peoples, and now he hopes he will have another opportunity to see the President and raise the question in the near future.



Ernest Goldstein

INFORMATION

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

Tuesday, November 28, 1967
5:45 p. m.

Mr. President:

Herewith Ed Fried's summary
of a Leadership meeting for the
President's diary.

W. A. R. Rostow

~~CONFIDENTIAL~~

Determined to be an
administrative marking
By DAH/CK On 1/12/24

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

5a
DECLASSIFIED
Authority NCJ 84-223
By LB, NARA, Date 1/12/24

~~CONFIDENTIAL~~

Monday, November 20, 1967

NOTES ON THE PRESIDENT'S MEETING WITH BIPARTISAN LEADERSHIP

SUBJECT: Devaluation of the Pound and its Implications for
U.S. Fiscal Policy -- Monday, November 20,

PRESENT:

The President	Senator Mansfield	Speaker McCormack
Secretary Fowler	Senator Dirksen	Representative Ford
Chairman Martin	Senator Robert Byrd	Representative Boggs
Under Secretary Barr	Senator Hayden	Representative Bow
Under Secretary Deming	Senator Kuchel	Representative Byrnes
Chairman Ackley	Senator Russell	Representative Laird
Director Schultze	Senator Smathers	
Walt Rostow	Senator Williams	
Art Okun	Senator Young	
Ed Fried		

The President -- Opened meeting by saying that he asked to meet with the leadership of both parties to review the developments surrounding the devaluation of the pound, the implications it carried for the U.S., and the choices with which we were now faced. He asked Secretary Fowler, Chairman Martin, and Chairman Ackley to review the situation.

Secretary Fowler -- The need to meet the deficit out of borrowed funds will unbalance the economy and undermine our international position. The dimension of the problem is clear from the following: in the first six months of this calendar year, Treasury operations had put \$11 billion into the monetary system. The prospect now is that without a tax increase the Treasury in the first six months of next year will take out \$5 billion from the system. This swing of \$16 billion represents approximately one-fourth of the total credit market and will have a tremendous impact on interest rates.

The devaluation of the pound now intensified the situation and the problem. In a sense, we have a new ball game. At stake are:

- a. The gold exchange standard and the system of stable exchange rates that have enabled international trade to expand.
- b. The U.S. external position in the world -- political, diplomatic, military and commercial. (What was now happening to the U.K. should serve as a lesson to us.)

~~CONFIDENTIAL~~

- c. Confidence in financial markets which was at the basis of prosperity at home and abroad.

We have two basic means of dealing with this new financial crisis:

1. Through multilateral cooperation and financial diplomacy

- To make sure that the British devaluation does not cause a chain reaction such as the competitive exchange depreciation scramble of the 30's. So far the results look good. The major financial and trading countries are sticking together and not following the British.
- To protect the dollar against speculative raids. We are doing this through an extensive system of swap arrangements, through the IMF facilities, and through close consultation.
- To maintain the price of gold through operating on gold markets and through the cooperation of our partners in the London gold pool.

2. Maintain confidence in the stability of the dollar

- What we do about our deficit is in itself an important element of the confidence that foreigners have in the dollar. So far, we don't look very good. With 12 out of 14 appropriations bills passed, the actions taken by the Congress will reduce expenditures by only \$1.5 billion this fiscal year and the tax increase is stalled.
- It is essential that we concert ourselves on a package that would make deficit finance manageable and provide concrete evidence that we will be able to deal with inflation and avoid a boom and bust cycle. This could be the most important factor for removing uncertainty and restoring confidence in financial markets.

Increase in taxes alone won't do it. Reducing expenditures on the scale on which the Congress has acted won't do it. We must work together and combine both approaches into a package that will do the job.

Chairman Martin -- Fully support Secretary Fowler's analysis. Said officials and the entire Federal Reserve system were almost unanimous in believing we have a major problem in protecting confidence in the dollar. He had

spoken that day to five governors of European central banks. Three made a major point of asking what we were going to do to deal with our deficit.

He believes there is a critical need to demonstrate that we will get our finances in order. Whether we keep the dollar strong is entirely up to us. It depends on, and will require, a combination of expenditure reductions and tax increases.

Chairman Ackley -- The U. S. is not like the U. K. -- we are in an incomparably stronger position. Nevertheless, we cannot escape the impact of the British devaluation, and we have had a long series of balance of payments deficits. Recently our prices have been rising while prices in Europe were stabilizing. The Europeans are becoming more pessimistic than we regarding our situation, and, as a consequence, they are becoming more cautious. Uncertainties in the U. S., notably the effects of strikes, the tax situation, and our deficits undermine confidence. It is essential that we move now to bring our house in order as a concrete demonstration to the world of our will and capacity to keep our economy and the dollar strong.

Secretary Fowler -- No single act could more effectively restore and maintain confidence in the dollar, and shore up our balance of payments position -- both short and long term -- than the passage of an expenditure reduction and tax increase package at this Session of Congress. Markets don't wait.

He said there were three groups: those who believed in a big tax increase and a small expenditure reduction; those who believed in a big expenditure reduction and small tax increase; and those who wanted to do nothing. He believes the third group predominates today and, if they have their way, the consequences will be very serious.

The President -- Said he wanted to summarize and review the record as we see it from our standpoint. Said it would be helpful because the Chairman of the Ways and Means Committee was going to begin hearings next week. In his message on January 10, he had proposed a 6% surtax which would have amounted to 1/2 cent on the dollar. He repeated this request in his budget message of January 24, and in his economic report of January 26. In July, it had become apparent that war costs were going up and revenues would be down. He consulted with the best brains in the Administration, with leaders of business firms, labor organizations, farm groups, and other outside experts.

The choices were:

1. To finance the deficit through increased taxes which would have required a 40% increase in taxes.

2. To borrow it all, which would be clearly irresponsible.
3. A combination of:
 - a. 25% of the deficit through increased taxes, or \$7.4 billion, or one cent on the dollar. (This would take back only 1/2 of the tax reduction.)
 - b. 50% borrowing.
 - c. 25% savings through a review of all programs.

Given these choices, he met with the leadership and with the Ways and Means Committee. In an Executive Session of the Ways and Means on September 22, the Administration proposed to match a tax increase with savings -- dollar for dollar. All major organizations supported a tax increase. On October 3, Ways and Means tabled the proposal until further notice.

He said that delay hurts us all. He cited the pressure of government financing on financial markets, the effects of interest rate escalation, the hardship this will impose on state and local governments, on housing, and on consumers.

Inflation hurts consumers twice. Its incidence is as hard as a tax, and it hurts low-income families disproportionately. They would pay an inflation tax, but they would not pay a surtax. It will increase our imports and undermine our international monetary position.

In light of the devaluation, it was more essential than ever to take action. With sterling devalued, the world depends even more on the dollar. It should also be possible to move forward now that the Congress has passed 12 out of 14 appropriation bills and we know the results.

His proposal was:

1. A 10% surtax which would bring in \$6 or \$7 billion.
2. Expenditure reductions of \$4 billion, including the \$1 1/2 to \$2 billion that Congress would have cut. He would put a separate title in the bill with a formula that would bring these cuts to \$4 billion.

3. The PC authority passed by Congress would come to \$2 billion and saving on the Pay Bill to \$1 billion.

Reductions would be painful and hard, but they have to be done. None of these figures are inflexible. Chairman Mills feels that the House has expressed itself in favor of a \$5 billion reduction in expenditures. Other figures agreed upon could be made effective through a formula that would be part of the tax bill. Chairman Mills has announced a meeting of the Committee next Tuesday. It is essential that we act to avoid high interest rates and to maintain confidence in the dollar. Only in this way would it be possible to see that those people for whom the programs were designed would not be robbed by inflation.

He said he asked the leadership here for their cooperation and suggestions.

It was essential to avoid his challenge to our fiscal strength. He cited his telegram to the Australians and his discussions with Japanese Prime Minister Sato to keep other major powers firm with us following the British devaluation. Nothing was more important than a legislative proposal of this sort. He pointed to the fact that every item in the budget was going up, e.g., Medicare, Medicaid, Agriculture, and he asked Director Schultze to comment.

Director Schultze -- Said that carrying out the legislative provisions for Medicare, Medicaid, and public assistance would increase expenditures by \$1 billion over the January budget estimates. CCC expenditures would be up by \$.5 billion. Higher interest rates, larger Ex-Im loans, increased veteran loans, would add another \$.8 billion. Postal pay increase adds \$.2 to \$.3 billion. These expenditure increases were not subject to administrative control but they had to be offset.

The President -- It was necessary to act first in the House Appropriations and Ways and Means Committees. He had tried to avoid the sterling crisis and sent Deming to Europe with this objective. But as it turned out, the UK had no choice and the pressure was now primarily on the U.S.

Senator Mansfield -- Didn't think we were asking for enough. We should seriously consider price and wage controls in addition to the tax increase and expenditure reductions proposal.

Speaker McCormack -- Said, as he understood it, the U.S. is now the key to the international monetary situation. Asked Chairman Martin's comments. Martin agreed.

The President -- Said we had been prepared for this contingency and had been in touch with all the major countries to make sure of cooperation and united action. He was pleased with developments up to now, but this was only the beginning and we were under fire.

Senator Russell -- Asked Secretary Fowler whether he was surprised at the British action. Secretary Fowler said no. He had hoped the British would be able to weather the storm. They had made a great deal of progress since last year, but then ran into bad luck as a result of Suez, depression in their export markets, the dock strike, and rising interest rates in the U.S.

Senator Russell -- Said he had been apprehensive for some time. He himself had never been opposed to a tax increase.

The President -- Asked the others to comment but made clear that they were under no obligation to take a position. Said he had asked them to the meeting to get their views.

Senator Smathers -- Said he had been surprised during his recent trip to Europe at the concern over our situation. He supported the combination proposal. He suggested that the tax increase should be directly related to the cost of the Vietnam War. We had, after all, raised taxes during the Korean War. He hoped the House acts soon.

Senator Dirksen -- Said the principle was good. It was based on faith on both sides. He said that in fiscal matters there was always a lot of political pulling and hauling to gain partisan advantage. This was natural but we should never let it get to the point where the country and the economy suffers. He cited the 1929 depression, and said we must never let that happen again. We cannot let the country down during a period of danger. Both sides must work together -- Executive and Legislative. He suggested that perhaps the House and Senate could get together on a bi-partisan basis and work out where the cuts would be made and who would make them, and whose favorite projects would go down the drain. Thought perhaps it could work out.

The President -- Said he was willing to take responsibility for an expenditure reduction formula but wanted the approval of the Congress. He would prefer that the formula be in the bill; otherwise, he would review reductions with the leadership to obtain their approval.

Senator Russell -- Said he thought that the Congress had cut \$5 billion in appropriations.

The President -- Not talking about appropriations, but the effect of the appropriations bills on expenditures this year. The bills would cut expenditures through the balance of this fiscal year by only \$1 1/2 billion. He believed there should be a \$4 billion cut in expenditures, which probably would require a cut in programs of something more than \$9 billion.

Representative Mahon -- Said that Congress had cut about \$1.5 billion in expenditures in 1968 with the rest of the impact coming later. Believed the cut had been as much as could be done, with the President saying that he stood on his budget. The Appropriations Committee will not cut programs by \$9 billion unless the Administration says that it is imperative that it be done. Not everyone is as keyed up for expenditure reductions as Mills and Ford, so it was essential for the Executive to come out strongly for it. It will hurt, but if it is pictured as essential for the country's fiscal position, the Committee will do it even though it will not like it.

The President -- Said he told the Cabinet to be prepared to make the reductions and to be in a position to discuss their impact with the appropriate Committee Chairmen.

Representative Mahon -- The Congress prefers that you do it rather than we.

Secretary Fowler -- The point is that both should cooperate and join together; that this demonstration of cooperation would contribute to confidence.

Representative Laird -- Cited his proposal for a 5% reduction in appropriations. Said that some expenditures could be postponed and noted in particular the bill for electrical equipment in educational facilities. Said that Executive had not cooperated.

Representative Ford -- Said he was encouraged to see that the Administration was coming around to the view that expenditure reductions should be made a matter of law.

The President -- Said we had been saying this since August.

Secretary Fowler -- Read statements he had made advocating this on September 21.

Representative Ford -- Said he never heard anyone in the Executive saying that he would accept cuts as a matter of law. It is important to know from what level of expenditures such cuts would be made. From \$135 billion - \$136.5 - \$144 billion? But he was encouraged by this start.

The President -- Said that Secretary Fowler had been prepared to offer four alternative proposals to achieve dollar for dollar matching of cuts and tax increases before the Ways and Means Committee. The fact is that there is only \$38 billion in controllable items in the budget. We would be effecting \$10 billion of that total to get a cut of \$4 billion in expenditures. He was not wedded to any one figure or any one combination. Our best judgment was a bill with:

the first title providing for tax increase of \$7.4 billion;

the second title providing for expenditure reductions on the basis of a stated formula; and

the third title setting up a commission to study and review the programs.

Director Schultze -- Said the proposal referred to cuts from the budgeted figures.

Representative Ford -- Questioned again the level of expenditures and said that including PC's would not help Chairman Martin's problem of escalating interest rates.

The President -- Said PC's would not help on interest rates, but his figures of withdrawing \$11 billion from the money market would help interest rates and did not include PC's. PC's entered the picture in reducing the deficit.

Representative Ford -- Asked about the possibility of a commitment that there would be no request for supplementary appropriations, except for Defense.

The President -- Said he would not want to tie his hands against the possibility of dealing with emergencies that might arise. What would happen, for example, if there were a disaster in Representative Ford's district?

Secretary Fowler and Representative Ford exchanged views as to the record whether in fact the Executive Branch had or had not proposed expenditure reductions as a matter of law.

The President -- Said that Secretary Fowler and the Budget Director had been ready to explore alternative means of breaking the impasse. But he suggested that there was no point now in going over the past; it was the future that counted.

What he would like now would be to reduce the deficit and the need for borrowing \$11 billion through the combination of tax increases and expenditure cuts. He did not know how much we could get through the Committees. With cooperation, he would favor putting it all in one bill with no discretion. If that was not possible, he could carry it out through the approval of the leadership.

Speaker McCormack -- Suggested that the President ask for a \$10 billion tax increase, rather than \$7.4 billion.

The President -- Said the situation was now up to the leadership. Congress had exercised its will and cut expenditures by less than \$2 billion. He would be prepared to try to double that.

Representative Mahon -- We should not be under any confusion on the proposal. As he understood it, it did not call for a ceiling on expenditures.

Director Schultze -- Said the proposal would reduce obligations for Federal programs as set forth in the budget by a specified percentage. The formula of a 2% cut in payrolls and 10% cut in programs would work out to a \$4 billion reduction in expenditures for Fiscal '68.

Representative Bow -- Said the reductions would add up to \$3.4 billion.

The President -- Said we are not spending anything you have not appropriated. Some things can't be cut, e. g., interest rates, crop loans, Medicare. We are prepared to cut from what you have already appropriated.

Senator Williams -- Said we had to face up to the situation and pointed to the Medicare Bill now before the Senate. Said these costs could be brought under control if the Administration supported reductions.

Senator Williams and Secretary Fowler then discussed a number of technical aspects related to this question.

The President -- Suggested that they talk it over separately, rather than take the time of the group as a whole.

Representative Boggs -- Said he believed in the tax bill for over a year. His mail was largely in support of it; almost unanimously so from business firms in his district.

Representative Laird -- He was for the tax bill, even though his mail didn't support it.

~~CONFIDENTIAL~~

-10-

The President -- Asked if there were any other comments or any general views about the possibilities of having three titles to the bill and thus putting the three parts under one roof. Since there were none, he closed the meeting by suggesting that the effort be made to move in that direction.

W^W Rostow

~~CONFIDENTIAL~~

12/21/67
12:20
pe

THE WHITE HOUSE
WASHINGTON

6

33

Tuesday, November 21, 1967
11:40 a.m.

Mr. President:

Herewith for your diary are
Ed Fried's clear, terse notes on
your November 18 leadership meeting
on the sterling devaluation and tax
increase.

W. Rostow

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

60a
DECLASSIFIED
Authority NJ 84-323
By CF, NARA, Date 1/11/24

~~CONFIDENTIAL~~

Sunday, November 19, 1967

NOTES ON THE PRESIDENT'S MEETING WITH THE LEADERSHIP

SUBJECT: Sterling Devaluation and the Need for Tax Increase --
November 18, 4:30 to 7:00 P.M.

PRESENT:

The President	Senator Mansfield	Speaker McCormack
Secretary Fowler	Senator Long	Representative Boggs
Chairman Martin	Senator Anderson	Representative Ullman
Under Secretary Barr		
Under Secretary Deming		
Budget Director Schultze		
Walt Rostow		
Joe Califano		
Ernest Goldstein		
Art Okun		
Ed Fried		

Secretary Fowler -- Discussed actions to be taken in defense of the dollar during present crisis.

- The President's statement -- designed to remove any uncertainty regarding U.S. intention to stand firm.
- Financial diplomacy -- getting all other major countries to hold their rates with us and prevent a chain reaction.
- Building confidence in the dollar through demonstrating fiscal responsibility and other constructive measures to improve the balance-of-payments position. Read concluding portion of statement he made at November 16 press conference announcing programs to strengthen U.S. balance of payments. Stressed that enactment of President's tax increase program at this Session of the Congress was the single most important and indispensable step the nation can take now to protect the dollar, safeguard the international monetary system, and stop the interest rate escalation that threatened our domestic and international position. The devaluation of the pound now brought the requirements for fiscal action and the tax increase into even sharper and more critical focus.

~~CONFIDENTIAL~~

Chairman Martin -- Stressed the great uncertainty that currently plagues the securities market and the cost it is exacting in higher interest rates. He cited recent examples: a Nova Scotia bond that required a 7 1/4% yield; postponement of the U.S. steel issue when financing was not obtainable at 6 3/8%; a Treasury 5 3/4% that sold below par.

Essential to stop and reverse the trend of accelerating deficits or inflation would get out of hand. Sterling devaluation complicated the situation and made it all the more important to restore a position of confidence -- which required evidence of fiscal responsibility.

Under Secretary Deming (The President said Deming had been sent to meetings in Paris during the week in an effort to mobilize a multilateral support operation to save the pound.)

Deming noted two points:

1. Situation in London was black; nobody wanted to see the pound go, but in the end they could not see any feasible alternative.
2. U.S. last year, in its financing operations, paid back \$11 billion to the market in the second half of the year. This year, we would only be able to put back 2 1/2 billion -- even with a tax increase. This tremendous swing from last year would greatly tighten credit conditions.

Under Secretary Barr -- In the credit crunch, the big fellows would manage to meet their requirements but the smaller borrowers, the institutions, and housing will get squeezed and suffer.

Director Schultze -- Discussed possible expenditure reductions totalling \$4 billion:

- \$1 3/4 billion Congress had already made or would make in the 14 appropriation bills (of which 12 already completed);
- \$2 1/4 billion Administration could make in withholding expenditures if Congress prepared to stand the pressure.

The President -- Prepared to cut actual expenditures by one dollar for each dollar of tax increase. Secretary Fowler had been ready to offer 4 different proposals to achieve this end to the Ways and Means Committee, but the Committee acted without giving him the opportunity to put these proposals before it.

We will rue the day if we fail to face up to these critical responsibilities. If we don't act now it will not be possible to undo the harm that will result. Every day's delay is costly.

He had had nine discussions with Chairman Mills.

He was trying to convince those members of the leadership he could -- but the President cannot act for the Congress. He was prepared to accommodate his views to theirs and to this end advance proposals for a cut of \$4 billion in expenditures.

Secretary Fowler -- Senator Williams had written him a letter on November 7, which he has not yet answered. The letter is essentially a campaign document designed to hurt the Democrats if it were answered under present circumstances. (Fowler read letter which made two central points.)

1. A tax increase bill has not been introduced in either House.
2. Uncertainty is causing financial disruption with serious consequences for the economy and our international position.

Senator Mansfield -- Williams' argument is spurious. There is no indecision on the part of the Administration -- it had constantly advanced its tax increase proposals.

Rep. Boggs -- Normal to work from proposals. Was willing, ready, able and happy to introduce bill.

Speaker McCormack -- Need for tax increase. In his view President not asking for big enough tax increase.

Secretary Fowler -- Read his proposed answer to Senator Williams with stress on concluding portion outlining Administration's new proposal to break deadlock between spending and tax powers of the Congress.

Package would:

- reduce administrative budget deficit by \$11 billion in Fiscal '68, and relieve credit market to this extent;
- increase income taxes of individuals by \$3.9 billion;
- reduce actual expenditures (counting actions taken by Congress on appropriation bills) by about \$4 billion;
- increase corporate tax receipts by \$3.1 billion (\$2.3 billion surtax -- \$.8 tax collection speedup).

~~CONFIDENTIAL~~

-4-

Extending excise taxes could add \$.3 billion.

Stressed again that expert opinion overwhelmingly supported need for tax increase. Same with major organizations -- the Chamber of Commerce has now come around in support.

see folder
The President -- He had reviewed the answer to Williams and the new proposal yesterday with Mills in light of the pending sterling devaluation and its serious potential consequences. He told Mills he wanted to review it with other members of the leadership. (He noted other members who had been invited to today's meeting, but were not available.) Mills had been unable to stay in Washington over the weekend.

The President summarized the situation. He said the President cannot impose reductions on the Congress. He is prepared to act and to share responsibility with the Congress if the Congress is prepared to accept its share. He does not want to cut expenditures, but each day of inaction brings increased costs and makes the situation worse. It will lead to some slippage in revenues and to automatic increases in expenditures (higher interest costs, more farm loans, etc.).

The Mills-Ford line is hard to break. Of course the public does not favor tax increases. Nobody likes them. But the leadership must accept its responsibilities or face far more serious difficulties. If reductions in appropriations are not adequate and there is no tax increase, then it will be necessary to impound expenditures -- notably for highways, public works and other areas where the Congress will immediately feel repercussions. (He noted highway expenditures now were a billion dollars over any previous figure and were feeding inflation.)

But do we start or not? The President doesn't want to make the decision alone. Last year the leadership accepted the responsibility of impounding expenditures. If we have to make reductions they will be drastic and they will have to be made soon. This should be done with the full knowledge and approval of the leadership.

If we don't act soon, we will wreck the Republic. The President can't spend what the Congress does not appropriate. The Congress has now acted on appropriations, and now the President must act. He then reiterated the need for the proposed package of expenditure reductions and tax increases.

Rep. Ullman -- Said he favors a tax increase, but a tax increase could not solve the situation alone. When Schultze testified before the Ways and Means there were ambiguities in expenditure reduction proposals.

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The President -- Cited instances where he had made clear the Administration was prepared to match tax increases and expenditure reductions dollar for dollar. He referred again to the Committee's unwillingness to hear Fowler's four alternative proposals to achieve this objective. He set the record straight on Schultze's testimony.

Rep. Ullman -- Sterling devaluation made this a new ball game. There is no point in recriminations. Said he believed there would be widespread repercussions on Monday throughout the economy. Repeated that he did not believe expenditure reductions had been adequately spelled out. But we should now try the new formula.

Secretary Fowler -- Reviewed formula again, together with proposal for President to set up special group to go over programs and prospective expenditure cuts.

The President -- Pointed to need for clearance from Government Operations Committee on \$4 billion expenditure reductions.

Rep. Ullman -- Important to try to put package together in next few days -- before Thanksgiving. The sterling crisis should be a vehicle for getting it done.

The President -- Asked for the views of the leadership on the proposal and on any alternatives they had to deal with the situation.

Senator Long -- Asked Rep. Ullman whether the Committee would report favorably on the tax bill without Mills' support. Answer -- probably not. Senator Long then said that Senator Talmadge doubted that the bill could be passed either in the House or the Senate. Said it would be even more difficult in the House, because the members had to run next year.

The President -- Said any action taken would be unpopular but it would have to be done.

Rep. Ullman -- The situation would be worse if we don't pass the tax bill. Unable to know the outcome beforehand.

Secretary Fowler -- Said it is essential to report out the bill and put it in the glare of domestic and international publicity. Then vote it up or down so everyone would know where each stood.

Rep. Ullman -- Said he would give every support he could.

The Speaker -- Made following points:

1. No tax bill is popular.

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2. We are faced with desperate situation and the Congress is on trial.
3. He had personally taken public position in favor of tax bill.
4. It should be possible to get bipartisan support and to begin through action by Mills and Mahon.

Senator Long -- Reserved judgment on his own position but suggested following procedure to break impasse:

1. Sit down with as few people as possible.
2. Heart-to-heart talk between the President and Mills.
3. If the House sent the tax bill over, the Senate would take a look but he was not in favor of the expenditure reductions part of the package.

The President -- Said this was not facing facts and pointed again to the consequences of sterling devaluation.

Senator Long -- Repeated that it was important to get together with Mills, but said Mills could not lay down conditions on which he can't deliver.

Director Schultze -- Pointed out that the tax increase bill provided for \$7 billion during the remainder of this fiscal year, and \$12 billion over the next fiscal year. It was essential to keep the latter in mind.

The President -- Pointed out that the Defense budget for Fiscal '69 that had now been received came to \$98 billion. If Congress did not act on a tax increase, then it would be necessary to start thinking not about a \$4 billion expenditure cuts, but about cuts of many billions of dollars.

Rep. Boggs -- He had given thoughtful consideration to the possibilities of the bill. He pointed out that the Poverty Program had come out much better than anyone had guessed three weeks ago. His judgment is that if the Chairman supports the bill, it would be passed in the House.

Rep. Ullman -- It was necessary to talk to Mills not only about the situation this year, but next year as well, and the consequences of a \$98 billion Defense budget. Also said that Ways and Means cannot originate action on the bill where other Committees have jurisdiction. It's different when the President proposes the bill, and next year's situation is clearly critical. In his view, if the bill gets to the Floor, it will have bipartisan support, but Mills' approval is essential. Mills is critical of a tax

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increase and his speech on Monday is in that vein but the speech does not close the door on action on a tax bill.

The President -- Asked when can we get the Committee to act.

Rep. Mahon -- The House voted by continuing resolution to cut expenditures by \$7 billion which was equivalent to a cut of \$14 billion in appropriations. In his view, expenditure cuts were worse than a tax increase.

The way to get a tax increase was for the President to stick his neck out and cut expenditures by \$4 billion -- even without a tax bill. The cuts should include programs which he considers among his best programs, e. g., Federal Aid to Education.

Mahon would then try to get his Committee to endorse those specific cuts.

He recognized the risk -- that the President would make cuts on his own and then end up without a tax bill.

Secretary Fowler -- Reviewed the formula proposal for making cuts under which responsibility would in fact be shared. (Use of either of the following, whichever is lower: (a) a cut of 2% in personnel and 10% in program; or (b) the difference between the original appropriation request for each program and what Congress appropriated.)

The President -- Stressed the need to work from the package proposal: the tax bill, the expenditure cuts (with the formula) and a review group. The need was to get the Committee to move now.

The consensus that emerged was to organize a meeting with the President Tuesday morning -- which was the earliest it would be possible to get Chairman Mills back to Washington. Speaker McCormack and Secretary Fowler would try to get in touch with Mills. Others at the meeting might include the Speaker, Representative Mahon, Senator Mansfield and Senator Long.

W. W. Rostow

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THE WHITE HOUSE
WASHINGTON

Secret

November 15, 1967

NOTE FOR JUANITA ROBERTS

You may wish to have the attached
for purposes of the daily diary.

WGB
WGBowler

Attachment

11/8/67 MemCon in President's
office on subject of Peru.

Determined to be an
administrative marking

By CTS On 1/18/74

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Authority NIJ 90-10
By CTS NARA, Date 1/16/24

MEMORANDUM OF CONVERSATION

Held at White House
on Wednesday, November 8, 1967
at 5:15 p.m.
in the President's office

PARTICIPANTS :

The President
Assistant Secretary of State Covey T. Oliver
William Bowdler - White House
American Ambassador to Peru J. Wesley Jones

The President asked Ambassador Jones about the situation in Peru and the chances of survival of the Belaunde Administration. Ambassador Jones replied that Peru was going through a severe financial crisis caused by balance of payment difficulties and devaluation. The crisis however was primarily fiscal and not economic, since Peru is basically sound with its free enterprise system, its natural resources and its diversification of exports. The recent devaluation of the sol had been a shock to all Peruvians, including President Belaunde. Unfortunately, he had not prepared the Peruvian people for a devaluation, but rather had assured them it would never happen. He thus had painted himself into a corner and found it difficult now to explain and rationalize to the Peruvian people the sudden drop in the value of their currency.

The President asked about the Mirage deal and whether the Peruvians would cancel their contract with the French. Ambassador Jones replied that on his last of many conversations he had with President Belaunde on this subject Belaunde had told him categorically, "No"; that what had been done could not be undone, and that the United States must accept this as a fact in its future relationship with his country. Nevertheless, on previous occasions President Belaunde indicated that our F-5s would be an acceptable

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-2-

substitute. Ambassador Jones told the President that he would like therefore to have the Northrop representative authorized to make a firm offer in writing to the Peruvian Air Force as soon as possible to include training of Peruvian pilots next year plus the delivery of some aircraft in the latter part of 1968. Once this offer had been made, Ambassador Jones would like to be authorized to go back to President Belaunde with a copy in hand and a \$40 million program loan to make another try. The conditions for the \$40 million would be F-5s for Miragas and improved performance in the fiscal field. Ambassador Jones confessed to the President that he was not sanguine that it would work, but he thought it was worth a try.

Ambassador Jones referred to the danger of a Peruvian military intervention in the Government of Peru if another devaluation, followed by increased cost of living, followed by strikes and violence were to occur. That, Jones said, was the sort of condition in which the Peruvian Military traditionally moved to take over the government.

The President said he had not been impressed at Punta del Este with President Belaunde. In rating him with all the other Latin Chiefs of State, he put him just above Arosemena. However, the President noted that Ambassador Jones seemed to have a good opinion of the Peruvian President. Ambassador Jones replied that he saw no alternative to the Belaunde Administration. It was important for Peru's democratic and constitutional progress that Belaunde finish his term of office (July 1969). He was the first President in a long line of military and aristocrats to have any interest in the development of all of Peru. He was not interested just in the coast, but in developing the high sierra and the jungle as well. If Belaunde completed his term in office, he would be only the fifth President in this century to do so. Finally, a military take-over of the government was no solution to Peru's problems. The military could not make the deficit or balance of payments problems disappear any more than a civilian government.

At one point in the conversation, Ambassador Jones said he would like authorization to sign some project loans on his return to Lima --

loans which had been authorized in Washington but never signed. One particularly was for commercialization of agriculture which would be not only useful to the agricultural sector, but would be an evidence of United States interest for Belaunde's administration.

The President asked what the next step would be if the F-5 ploy were unsuccessful. Ambassador Jones confessed that we had not yet reached that point in our thinking. Mr. Oliver said that depending upon the interpretation given the Symington amendment and the final outcome on the Conte amendment, he hoped we could continue sector and project lending, although program assistance would be out.

The President indicated that he thought our offer involving substitution of F-5s for Mirages did not have much chance for success but wished us luck if we wished to try.

Finally, as the meeting was breaking up, the President again expressed his doubts about President Belaunde and his ability and political convictions.

Copy to Mr. Walt Rostow
 Mrs. Juanita Roberts
 Mr. Covey Oliver

JWesleyJones/WGBowdler

MARVIN WATSON'S NOTES ON THE MEETING BETWEEN THE PRESIDENT
AND FORMER GOVERNOR FRANK MORRISON OF NEBRASKA.

TUESDAY, DECEMBER 5, 1967
11:28 A.M.

Morrison says he feels that he is sitting on the sidelines and would like to be considered somewhere, perhaps the international food program.

Morrison said on politics, there is a new law, passed by the Republicans. Purpose is to take the Nebraska Presidential Primary out of the popularity contest. The Secretary of State shall place on the ballot all persons considered to be sincere candidates for President.

Delegates who file have options to 1. run undeclared or 2. declared. The Primary this year in Nebraska will be on the Republican side. It will be up to the Secretary of State to decide if McCarthy is a serious candidate for President. (The Primary will be held May 1968.)

P I think he (McCarthy) is a serious candidate. Suppose I do nothing?

M The Secretary of State will put your name on the ballot.

P You could say I am not a candidate as of this date.

M This Primary comes early and will have a lot of national attention.

P I have thought of letting him have several states because the President has to do many things such as 1. run the war; 2. the economic situation. Obviously I cannot campaign in any Primary. It is true that in New Hampshire there is a group running in support of the President and if I decide to be a candidate, and they are successful in their Primary, they will support me.

M It is certainly best to have a group of party supporters and your friends on the ballot and in Nebraska, all the Democratic Party structure is for you and they will win.

P We will have to look to you. Your judgment is good. I believe we think a lot alike. Remember you may have both McCarthy and Bobby Kennedy on the ballot. I have asked Bailey and Criswell at DNC to talk to the State Chairman and National Committeeman and our friends and get their recommendations on these Primaries. I do not want to say I am or I am not a candidate. The DNC has had one area meeting and will have others. I talked to Attorney

P - cont:

General Lynch of California this morning and I understand he will head up a Johnson group. If I decide to run, they will support me, assuming they are elected. However, the papers say the Peace group in California is awfully strong.

M Do they have a peace plan?

P Not that I know of.

M Then as far as Nebraska is concerned, Bailey and Criswell are their contacts?

P Yes. You should take the lead as other Governors are doing -- Connally, Hughes of New Jersey and Ellington. It seems rather apparent that McCarthy and Bobby Kennedy do have an agreement.

M All Party supporters in Nebraska are for Johnson-Humphrey ticket assuming Humphrey is your choice.

P He is.

M There is an ad in the WORLD HERALD last Sunday where some 500 people who reportedly supported you in 1964 are now saying that unless you get out of Viet Nam, they will support someone else in 1968. In checking, we find 70% were either college students or professors. We need someone to work the campuses that have the facts. Your supporters need to be more aggressive.

P I can't do that.

M I know this but we (your friends) should do it. My son wants to help.

P Marvin, ask Criswell to call Governor Morrison's son and work with him.

M The papers are more against Kennedy than you, but they are still Republican. Sorensen is now in New York. His brother is in Iowa. I will outline a program and tell Bailey and Criswell.

MARVIN WATSON'S NOTES ON THE MEETING BETWEEN THE PRESIDENT
AND GOVERNOR JOHN W. KING OF NEW HAMPSHIRE.

TUESDAY, DECEMBER 5, 1967

5:31 P.M.

- P Governor, I read your speech before the State Democratic Executive Committee and it was awfully good. If I were giving awards, I would give you a gold star for it.
- K There are two groups in New Hampshire: Bernie and Bill Dunphy who is former National Committeeman. You should have Marvin get them together and get Dunphy on the delegation list. There is no question that Bill and Bernie have differences but Marvin can get them together. I want you to know I will do anything you want, but I do need a line of communication - Watson, I suppose.
- P Certainly you will have a line.
- K McIntyre made a statement today which I wasn't aware of. Some of Bernie's organizational work -- his timing -- has caused problems. Today the Attorney General issued a report which he simplified for me. (sheet attached.) I will be number one or two or three, or whatever you want me to be.
- P You are number one.
- K You will have to slow Bernie down.
- P Marvin, check this out and get it done.
- K I wanted you to know I will do whatever will be most helpful to you in 1968. I will run for Governor or Senator.
- P You are the one to decide that. You figure out what you want and I will help, if possible. I do want to make a good showing in the New Hampshire Primary, no matter what I do the next day, so get your telephone committees, or whatever you do in New Hampshire to campaign.
- K I want you all to be together.

P Bernie told me when he left to go back to New Hampshire that he wanted no office, no reward, but that he wanted to help. I told him to go to you, Governor, to Senator McIntyre and to ask you to help. I know that it will hurt you and the Senator but I will attempt to repay.

K If Marvin will call Bernie and Bill and get Bill on the delegation, that will help.

P We will do those things you want because you are number one in New Hampshire.

* * * * *

THE WHITE HOUSE

WASHINGTON

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Meeting with the President

Saturday, November 4, 1967, 2 PM

Possible Agenda

1. The Ryukyus and the Bonins (Secretaries Rusk and McNamara and General Wheeler)

Papers attached at Tab A.

2. Buttercup response (Secretary Rusk)

Issues:

- Should we try to get first response to Buttercup message before Bunker returns?
- Should first response be limited to prisoners, or should political statement be included?
- Should we go beyond Dang's conditions? If so, how far?

Secretary Rusk will have a draft at 2 PM.

3. Other

W.W.R.

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By CTS NARA, Date 1/16/24

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MEMORANDUM

20
THE WHITE HOUSE
WASHINGTON

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Friday, November 3, 1967

MR. PRESIDENT:

This is a supplementary note to give you more clearly the position in the government on the reversion of the Bonins to Japan.

The attached proposal is agreed by Secretaries Rusk and McNamara. General Wheeler was personally willing to go along; but the Joint Chiefs did not agree.

Essentially, the Joint Chiefs believe that we should retain the option to base nuclear weapons at our installations on Iwo Jima and Chichi Jima without the consent of Japan, should this be necessary, and they would not return administrative rights to these islands until Japan permitted nuclear storage. The Joint Chiefs fear that by yielding our rights to nuclear storage in the Bonins we would set a precedent which would make it more likely that the Japanese would refuse nuclear storage in Okinawa. Additionally, the JCS are reluctant to accept at this time the Japanese offer to assume major defense responsibilities in and around the Bonins area.

We do not now store any nuclear weapons in the Bonins and do not have any plans to do so. Secretaries Rusk and McNamara believe that agreeing to a return of the Bonins without rights for nuclear storage would not in any way prejudice our case for insisting on nuclear storage in the Ryukyus. A request for nuclear storage rights on islands where we now maintain very small bases and only 77 military personnel would hardly be understandable to the Japanese.

Secretaries Rusk and McNamara believe, and I concur, that acceptance of the Joint Chiefs' position would risk serious strains in our relations with Japan, and decrease the prospects of Japan's responsiveness for support on Viet Nam, balance of payments, and other issues. At Tab A is a memorandum to you from Secretary Rusk, in whose recommendation Secretary McNamara has concurred.

As for procedure, I recommend that you have a meeting with Secretaries Rusk and McNamara and General Wheeler. At that meeting you let General Wheeler present the argument of his military colleagues. And then, if you agree with Secretaries Rusk and McNamara, you could make your decision and let Buzz Wheeler report to the JCS that their argument had been heard, before you made a final decision.

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By CS NARA, Date 1/16/24

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Nov. 3, 1967

What lies behind the JCS holding to what is, in fact, a marginal position, is an old view deep in the Pentagon; namely, that to make any concession to the Japanese with respect to the Ryukyus and Bonins is to put us on a slippery slope. The fact is that the old, immediately pre-war relationship is changing and must change. Our objective can only now be a gradual and judicious transition into a new relationship in which the Japanese take increased responsibility as a partner as we alter the essentially occupation status on the islands. At the moment they are assuming more partnership responsibility in aid and monetary affairs; and they should do more. The transition to military partnership will take longer.

Recommendation

That, if you approve the State-Defense language in the attached draft (Tab B), you call a meeting to hear argument as suggested.

Attachments

W. J. R.

Approved  _____

Disapproved _____

See me _____

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

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10b
November 3, 1967

MEMORANDUM FOR THE PRESIDENT

SUBJECT: United States Position on Reversion of the Bonins

Since the matter was discussed with you on October 31, new language for the Sato communique has been drafted on reversion of the Bonins (Tab B). Secretaries Rusk and McNamara believe (Rusk memo, Tab A) that the new language fully protects our military needs. They believe that to exempt Iwo Jima and Chichi Jima from the overall principle of return of administration to Japan is not required for any foreseeable military purpose.

Secretaries Rusk and McNamara do not believe that failure to achieve nuclear storage rights on Iwo Jima and Chichi Jima would in any way prejudice our case for insisting, at some point, on a right of nuclear storage in the Ryukyus.

In addition to protecting our military needs, the two Secretaries conclude that the new language constitutes a wise and essential move at this time in the framework of our relations with Japan, including our hope to obtain more firm support on Vietnam and favorable action on several other matters, particularly our balance of payments problems. Secretary Rusk, with Secretary McNamara's concurrence, recommends that you approve Ambassador Johnson's presenting to the Japanese Government language concerning the Bonin Islands, in accordance with Tab B.

Recommendation:

That you approve the new draft language for the communique.

W. Rostow
W. Rostow

Attachments

Approve _____

Disapprove _____

See me _____

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By *CT/KNARA*, Date *1/16/24*

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THE SECRETARY OF STATE
WASHINGTON

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November 3, 1967

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MEMORANDUM FOR THE PRESIDENT

Subject: United States Position on Reversion
of the Bonins

Recommendation

That you approve Ambassador Johnson presenting to the Japanese Government language concerning the Bonin Islands in accordance with TAB A attached.

13

Approve _____ Disapprove _____

Discussion

Secretary McNamara, the Joint Chiefs of Staff, and I are fully agreed on the general principle that we should undertake to enter into immediate consultation with the Japanese with a view to the early return of administration of the Bonin Islands to Japan.

In the light of the proposal of the Joint Chiefs of Staff to preserve a right to store nuclear weapons on Iwo Jima and Chichi Jima, Secretary McNamara and I have reviewed the possibility that an exception should be made, for purposes of the communique, regarding these two islands. We have noted that the general language in our proposal would in any event permit us to negotiate for the retention of appropriate "military facilities and areas" on these islands or any other part of the Bonins. The language on this point has been strengthened since the matter was discussed with you on October 31.

In the light of this strengthened language, our conclusion is that the proposal fully protects whatever

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GROUP 3

Downgraded at 12 year intervals;
not automatically declassified.

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By CS NARA, Date 11/11/24

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military needs we wish to retain. We believe that to exempt Iwo Jima and Chichi Jima from the over-all principle of return of administration to Japan is not required for any foreseeable military purpose.

In reaching this conclusion we have given particular weight to the question of possible nuclear storage in the Bonins. We do not now station any nuclear weapons there, and do not have any plans to do so. We therefore do not believe that it should be necessary to press for retaining the right for nuclear storage in working out the return of administration to Japan. Nor do we believe that failure to achieve such rights would in any way prejudice our serious case for insisting, at some point, on a right of nuclear storage in the Ryukyus. Furthermore, even if we were to so conclude in the future, the general language in the attached proposal would permit us to negotiate the matter with Japan.

Secretary McNamara and I thus conclude that the language in the attached proposal fully protects our military needs and is a wise and essential move at this time in the over-all framework of our relations with Japan, including our desire to obtain more firm Japanese support on Vietnam and favorable action by Japan particularly with respect to our balance of payments problems.

Dean Rusk

Dean Rusk

Enclosure:

Draft Communique Language
on the Bonins

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DRAFT LANGUAGE FOR SATO COMMUNIQUE
ON THE BONIN ISLANDS

The President and Prime Minister also reviewed the status of the Bonin Islands and agreed that the mutual security interests of Japan and the United States could be accommodated within the arrangements for the return of administration of these islands to the GOJ.

They, therefore, agreed that the two Governments will enter immediately into consultation regarding the specific arrangements for accomplishing the early restoration of these islands to Japan without detriment to the security of the area. These consultations will take into account the intention of the Japanese Government, expressed by the Prime Minister, gradually to assume much of the responsibility for defense of the area. The President and Prime Minister agreed that the United States would retain such military facilities and areas in the Bonin Islands as required in the mutual security of both countries.

The Prime Minister stated that the return of the administrative rights over the Bonin Islands would not only contribute to solidifying the ties of friendship between the two countries but would also help to reinforce the conviction of the Japanese people that the return of the administrative rights over the Ryukyu Islands will also be solved within the framework of mutual trust between the two countries.

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By CTS, NARA, Date 1/16/24

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cc (u) 11
TO THE PRESIDENT

FROM: JIM JONES

SUBJECT: Luncheon meeting with Secretaries Rusk and McNamara, Walt Rostow, CIA Director Richard Helms, George Christian and Jim Jones.

Meeting convened at 2:20 p.m., Saturday, November 4, 1967

Meeting adjourned at 3:55 p.m.

The meeting convened in the West Sitting Room of the Mansion. Secretary Rusk reported that Ambassador Goldberg will present the draft resolution which Foreign Minister Eban of Israel has cleared. Goldberg thinks the King of Jordan will accept it this afternoon.

The President related that he had met with representatives of Columbia Broadcasting System yesterday. One of the men asked him if the proposal on the U.N. was a new one and what is the major departure from the Administration policy. The President told him "it represents neither a major nor a minor departure of this government's policy."

Secretary Rusk said he asked Bill Bundy, in front of reporters, if any Ambassador from any country had asked if this was any departure from our policy, and Bundy replied no.

The President asked about the Ambassadorial post in the Philippines. He wondered whether Eugene Locke could fill this. The President said he is worried about the Philippines. "I feel in my bones that there's going to be a problem there," the President said. He said he would trust Locke but perhaps Locke is too close to the President to be put in to that position.

The President then asked Secretary McNamara what can he do to solve crime in the District of Columbia. The President said he asked Wirtz the same thing. "Crime will be the principal problem, even more so than Vietnam. We've got to show some progress and action. Perhaps have some troops patrol with the Washington police," the President said. The President asked if McNamara could put MP's either in plain clothes or in uniform to help patrol Washington. He pointed out that the District police have 450 vacancies that they can't fill.

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By CS NARA, Date 1/16/24

McNamara replied that he can help fill those vacancies. He mentioned that 750,000 come out of the service every year, and many of these can fill these vacancies.

The President asked if McNamara was going to Denver for the Educational Broadcasters Convention.

McNamara replied that he was, and the President said he may join him.

The President asked that Rusk and Wheeler and Helms and McNamara put together a high level task force to make a campaign pamphlet of three pages answering all the questions on Vietnam, such as stopping the bombing and negotiations. The President said to get the ten most asked questions and get them answered so that all a person has to do is make a speech from the pamphlet.

The group adjourned for lunch and the President opened the luncheon conversation by asking about Buttercup response. "Are both Bunker and Westmoreland coming back?" the President asked.

McNamara replied that Bunker would be leaving on November 9 and Westmoreland on November 15.

On Buttercup, Rusk said that Bunker is inclined to release several of the Viet Cong before they agree to release the Americans.

The President said I am inclined to agree, at least let the first five or six go. The President said that he does not like to override his man in the field (Bunker) nor does he like to see McNamara and Rusk override him any more than McNamara or Rusk like to be overridden by the President.

Rusk said "You've got to make arrangements with the other side. Bunker can tell the other people you are ready to release..."

The President then read the cable and reiterated that he does not believe we should overrule Bunker's recommendation.

Rusk said it would be alright if we could add the following "after taking fully into account our observations back here."

The President asked how we are going to do a better job of winning the war in the South. He asked if we could not have a military government put in the provinces and make them city managers like Tom Fletcher is in the District of Columbia. The President said "we've been on dead center for the last year." The President also wondered whether the bombing of the small tire factories, steel mills and airfields are "worth all the hell we are catching here." The President thought perhaps we should get into a position where we could strike and restrike. He pointed out that it's very possible that we could get a no confidence vote any day now.

"Gallup and Harris say anyone could beat us. Gallup takes these polls a month old, jiggles them a little, and makes it look that way and the public believes them," the President said. The President mentioned that Senators Hartke, Fulbright and McCarthy are going to all the colleges and stirring up problems and we are not answering them. He pointed out that Princeton got a resolution just yesterday.

The President turned his attention to the troubles at home and said "I'm not going to let the Communists take this government and they're doing it right now." The President pointed out that he has been protecting civil liberties since he was nine years old, but "I told the Attorney General that I am not going to let 200,000 of these people ruin everything for the 200 million Americans. I've got my belly full of seeing these people put on a Communist plane and shipped all over this country. I want someone to carefully look at who leaves this country, where they go, why they are going, and if they're going to Hanoi, how are we going to keep them from getting back into this country."

Dick Helms said under the laws today you cannot prosecute anybody for anything.

The President said that the Leadership of Congress told him Monday at their weekly meeting that they would give the President anything he wants. "In fact, they are trying to give me an anti-riot bill which I do not want." The President said he talked to General Eisenhower today. "I think you (Eisenhower) would be good for Secretary McNamara, and McNamara would be good for you. I told him that I would give him anything he wants in the way of a map room, intelligence briefings or whatever to keep him informed. General Goodpastor is doing a reasonably good job with him or he would not be with us," the President said.

The President said we should emphasize that there are no deep divisions among the Joint Chiefs and the other advisers, and he said that's one of the reasons why he has not picked a Marine Commandant yet. "I'm going to take that man's blood pressure and make sure he's loyal. It doesn't do any good to win the fighting over there (Vietnam) and lost it over here. We've got to get our story told," the President said.

The President said he wants to make a tour on November 10 and 11 of military installations throughout the country so that he can salute the men "who keep me free." The President said that Eisenhower told him that we have forgotten what it means to be patriotic. The President said we need to get some of our secondary men like Kohler and Nitze, etc. to go out and speak and get our story across.

Secretary Rusk said concerning Vietnam, that if they are ready to have private talks without stopping the bombing, we should follow through. He said some encouraging signs have been heard this week by the Communists and Kosygin who are beginning to draw the line between Hanoi and the NLF. Rusk admitted however, that he does not think Moscow, nor for that matter Peking, has enough horsepower to deliver Hanoi.

The President asked if someone could talk to Thieu and get the corruption cleaned up. The President also said we are mishandling our information from Vietnam. He said Sigard Larmon has just come back from Vietnam and he is violently upset with the way the press is handling the situation there.

General Wheeler said that he sent Westmoreland a cable and asked him if he could find some way to preclude the press from flying on these combat missions.

The President said that all we have to do is to read what we've done in World War I and II and the Korean War concerning the information problem. He pointed out that we have not dealt with censorship at all. "Perhaps we should send three good editors out there to take a look at the situation and make some recommendations on how we can handle this better. Perhaps we could send Bill Stevens of the Chicago Sun-Times and Palmer Hoyt and maybe Hedley Donovan from the east coast," the President said.

The conversation then turned to the subject of the Bonins and the forthcoming visit of Prime Minister Sato of Japan.

General Wheeler said "we agree that we should consult with the Japanese on the return of the islands. But we think the proposal before the President goes too far too fast, especially with regard to Chichi Jima and Iwo Jima." Wheeler said they (the Japanese) should sign up as to what they are going to do concerning the defense of the islands before the President returns the administrative control to them.

The President said in other words you're saying "put your money where your mouth is."

Secretary McNamara said the problem with that is that we cannot get something signed between now and November 18 when Prime Minister Sato leaves the United States, and McNamara does not believe the President wants Sato to go home without some resolution. McNamara believes that Sato did a good deed for us by going to Vietnam and the mere fact that he went there is an endorsement for our policies there.

The President asked why we couldn't say to Sato "here is our attitude and we are willing to turn over the control of the island when you are ready to sign up."

The President asked what we are getting from Sato on Vietnam.

McNamara said "that guy put his political future in his hands when he went to Vietnam."

The President said "but what I'm interested in is bodies."

McNamara said that Sato could be very helpful by speaking out for our policies.

The President asked again why cannot we say that we're ready to move when you're ready to assume your part of the defense.

McNamara said for several reasons: a.) We don't know what we want him to do; b.) He cannot do much at the present time; c.) We want nuclear bases there later.

General Wheeler said we can tell the Japanese that we reserve the right to negotiate nuclear weapons on the Bonins. Wheeler said that the Bonins lie on the great circle route for submarine traffic between the Chinese mainland and the United States and we might in time want to put nuclear weapons on the Bonins.

Rusk said we don't need these islands unless Guam is knocked out.

The President asked, "can't we take it if we need it."

Wheeler said this will have an impact on negotiations on Okinawa. The Japanese will insist on the same formula in Okinawa on nuclear weapons and this will be a precedent.

Rusk said the appetite on Okinawa will feed itself. All we're doing here is gaining time.

The President said we should not give away land just to put a man in good humor for 48 hours. The Japanese have been treated darn well. Why can't we say that we don't want to hold on to the islands, but we cannot secure the world alone. Maybe we can't work out an agreement in two weeks, but let us know when you're ready. I'm somewhat disappointed with the Japanese and Pakistan and some of these others anyway.

McNamara said "you should push the Japanese, but this is not the issue. This will only weaken Sato."

Rusk says "he's been the most pro-American Prime Minister Japan has had since World War II. Besides, we are only a squatter on the Bonins."

The President inquired, "is what we're asking in this communique (part B attached) when you move, we move?"

Rostow said this enters into consultations leading to the early return of the Bonins. Some of the consultations involve their taking over the defense, and finally the retention of base rights.

McNamara says you are saying more than that. If the Japanese will let us have bases on Iwo Jima and Chichi Jima, then you can have the administration.

The President asked McNamara and Rostow to concisely and clearly put down on paper what we are offering in this communique and present it to him later.

At this point, the President and Mrs. Johnson departed the meeting at 3:55 p.m.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Agenda - p. 3. -
checked by
phone with
CLARK CLIFFORD
W.

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Thursday, November 2, 1967 -- 8:15 a.m.

Mr. President:

This memorandum incorporates a brief summary of the discussion last night plus some suggestions for how the meeting this morning might be handled.

I. Report on the meeting.

1. The meeting began with two briefings: one by Gen. Wheeler and the other by George Carver. I would urge you to check with Clark Clifford and others, but I found the briefings impressive, especially Carver who hit just the right balance between the progress we have made and the problems we still confront. He handled the population control data in a lucid but credible way. There was hardly a word spoken that could not be given directly to the press. You may wish to consider a full leadership meeting of this kind, introduced by yourself, after which you could put the whole thing on television, perhaps when Bunker is here.

2. They both concluded that there was very great progress since 1965. We can't count on sufficient progress in the next 15 months to collapse the enemy; but Carver made two good points with respect to the future:

-- In part, the future is in our hands and the South Vietnamese's. In particular, the appointment of good officials and effective attack on corruption and a sharp improvement of the ARVN in pacification operations could produce dramatic change.

-- From the point of view of Hanoi, they would make a strategic decision to end the war when they had decided the U. S. would not behave like the French did in 1954 and when a viable state structure seemed on the way to emerging in Saigon.

3. Sec. Rusk then, over drinks, reviewed the attitude of Hanoi towards negotiations, emphasizing that their eyes were increasingly fastened on American politics.

4. The general discussion then came to focus around two issues:

-- The problem of sustained support for our policy within the U. S.; and the bombing question.

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By CTS, NARA, Date 11/10/24

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Arthur Dean and General Bradley spent a good deal of their time on the domestic situation and how to present the story of the war in ways which would encourage our people to unify and stay the course. Dean cited the kinds of questions he got in talking to college audiences. Dean Acheson put forward the view that the bulk of the university student opposition stemmed from an understandable desire not to have to go to fight in Vietnam. He was challenged by Mac Bundy and others that this was part but not all the story.

5. On bombing the line up was about as follows:

-- All agreed with McNamara, who read from a CIA document, that bombing did not prevent the present level of infiltration of men and arms.

-- George Ball and Dean Acheson urged that we use bombing as a negotiating chip against pressure across the DMZ. Acheson said that we should stop bombing when they did not press across the DMZ and resume bombing when they did until they got the point. Sec. Rusk pointed out we had tried to establish that connection but had failed; but they rather ignored what he was saying. Bob Murphy and General Bradley, in particular, said that out of their experience over the years they were sure that the bombing was having some effect on operations in the South, although it could not be precisely measured. In this discussion it emerged that while Helms agreed with Sec. McNamara that the present level of bombing would not have a demonstrable effect on flows to the South, he disagreed with the judgment that a stoppage of bombing would not result in increased flows to the South. It might.

6. Arthur Dean made strongly the point, out of his experience, that an excessive aggressiveness to negotiate or a broad humanitarian gesture to the Communists is interpreted as a sign of weakness by Communists.

7. At the close Sec. Rusk urged them all to put their minds to this question: In the face of the situation, as it was outlined to them, what would they do if they were President?

8. Douglas Dillon's questions mainly centered on possibilities for escalation against the North; that is, mining the harbors, hitting the dikes, etc.

9. Incidentally, I detected in this group no sentiment for our pulling out of Vietnam.

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II. This is one possible way to handle the meeting this morning at 10:30 a.m.

1. Thank them for giving their time; and suggest the importance of maintaining the existence and substance of the meeting in confidence. You would like to call on them again. But they constitute so weighty a group that public knowledge of their meetings might be misinterpreted and lead to speculation of crises.

2. A President faced with the present situation constantly must ask himself two questions:

-- Is our course in Vietnam right? If it is right, how can we increase public understanding and support for that policy? As they are aware, Hanoi's view of public understanding and support is a major front in the war -- perhaps now the most important front.

3. The first question is: Is there anything that we are not doing in the South that we ought to do?

(You might go around the table on this issue.)

The second question: With respect to the North, should we: continue what we are doing? Mine the ports and plan to take down the dikes when the water is high? Unilaterally reduce or eliminate bombing of North Vietnam?

(Again around the table.)

The third question: Negotiations. Should we adopt a passive policy of willingness to negotiate but wait for their initiatives?

If we should try additional initiatives, what should they be?

Despite their refusal of the San Antonio formula, should we unilaterally cease bombing and just see what happens?

The fourth question: Taking into account all that they know, do they believe that we should in one way or another get out of Vietnam?

The fifth question: What measures would they suggest to rally and unite our own people behind the effort in Vietnam?

I suggest that Tom Johnson be present and keep a tally sheet on each man with respect to each question.

Wm. Rostow

THE WHITE HOUSE

WASHINGTON

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Friday, November 3, 1967

Ruth 1:40p

MR. PRESIDENT:

I did not take full notes in yesterday's advisory meeting; but I did try to list suggestions for action.

Here is my list.

Dean Acheson:

- organize citizen's committees in all cities over 100,000;
- get fresh faces to defend our Viet Nam policy.

McGeorge Bundy:

- cool attention to bombing: make it routine;
- reward in White House ceremonies those who have done great work in the provinces, military and civilians;
- assure that military men on advisory duty in pacification are promoted on same basis as those in combat;
- develop publicity that Vietnamese are doing more, and make sure they do;
- shift our stance on negotiations to one of not expecting negotiations until after November 1968;
- dramatize that we have already won a great strategic victory in Asia: lift people's eyes from Viet Nam to the whole scene;
- brief the key editors and communicators just as the group was briefed (Dick Helms has no objection to using Carver when it's off-the-record and no public attribution);
- let good news speak for itself: don't strain publicly to convince people progress is being made.

Douglas Dillon:

- spend time not on how we got into Viet Nam, but on position we're in and real choices we face;
- clarify what we are doing on the ground and in bombing;

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By LRS, NARA, Date 1/16/24

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Nov. 3, 1967

Douglas Dillon (cont'd)

- develop sense of progress: sense of stalemate is what ^{unites} invites extreme doves and hawks; let events speak for themselves, but there are ways of getting good news out;
- have Bunker -- a fresh and trusted voice -- report to the nation;
- the President should brief top college presidents and deans as Advisory Group was briefed.

Arthur Dean:

- clarify our "get out of Viet Nam" position: if we're really going to get out, why spend all this blood and treasure?
- explain critical importance of Viet Nam to our Asia and Pacific positions: people don't understand implications for U. S. national interest of loss of Viet Nam;
- avoid another Panmunjom.

Cabot Lodge:

- an independent audit of the pace and success of the revamping and re-orientation of the ARVN;
- limit U. S. casualties by diminishing "search and destroy" operations, substituting a doctrine of "split up and keep off balance";
- encourage a "true revolution" in South Viet Nam by throwing our weight behind private cooperative institutions such as farmers' unions, marketing organizations, which would stimulate, agitate, and engage the people themselves and begin to push the French and Chinese middlemen to the wall. (WWR comment: the French and Chinese businessmen ought to be moving into light industry at this stage of Vietnamese development.)
- agreed with Acheson on a no-bombing versus DMZ deal;
- urged that Bunker and his views be given maximum exposure.

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Nov. 3, 1967

Robert Murphy:

- sharpen focus and action against small group of Hanoi villains: we have no target for hate in this, as opposed to other wars.

General Omar Bradley:

- talk less about negotiations: Hanoi takes it as a sign of weakness;
- use "Patience" as a slogan;

General Maxwell Taylor:

- questions close-in defense of DMZ;
- decide what we are prepared to offer the VC; that is a major gap in our policy and ought to be filled;
- bombing should not be traded against DMZ pressure but against level of VC incidents in the South: bombing is our equivalent of guerrilla warfare;
- organize nationwide, continuous campaign of speeches in support of policy;
- organize an hour TV program regularly: government replies to its citizens on Viet Nam, answering questions.

George Ball:

- stop bombing, except across the DMZ, to create climate for negotiation.

Abe Fortas:

- get George Carver to briefing on television. (Dean Acheson, Dick Helms, and others objected to using Carver in public.)

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Nov. 3, 1967

Clark Clifford:

-- bring Thieu to the United States (Nick Katzenbach implied we should make sure his political base in Saigon would be safe during such a tour).

W. R.

FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: Congressional Democratic Leadership meeting - Tuesday,
October 31, 1967

Meeting convened: 5:35 p.m.

Meeting adjourned: 6:45 p.m.

Attending were: Speaker McCormack, Congressmen Carl Albert and John Moss, and Senators Mansfield, Russell Long and Robert Byrd.

The President opened the meeting asking if there was anything to report on the Continuing Resolution.

Senator Mansfield said that they met today.

The President asked about the D. C. Bill.

Senator Byrd replied that with luck it will be on the President's desk by Saturday next week or November 15 at the latest. "I guess you want the full limit of the federal payment of \$70 million?" Byrd asked.

"Yes" the President said.

The President asked Senator Long about the Social Security Bill.

Long said he hoped to have it reported Thursday and said he will need a few more days to draft it up. "We voted today that any additional increases we have will be paid for by additional taxes beginning in January, and I think this will help it." Long said.

The President asked if the House will buy it.

Long said he felt they would.

The President asked about the Poverty Bill.

Speaker McCormack said they are trying to get the Rules Committee to meet Thursday and bring up a rule on Friday that will give debate on Monday and Tuesday. McCormack said Colmer (William) has agreed to this. McCormack said otherwise we have the practical problem of next Tuesday being an election day in many cities and many Members will be gone and thus debate would have to be held over until the next week.

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Send to Tom
Johnson
(24)

Carl Albert said he has talked to all Members of the Rules Committee and they say they will report it out Thursday and the Republicans have no objection. Albert said they will start reading the Bill for amendments on Wednesday.

The President asked if we can finish it during the week.

Albert said "I hope to but it will take pushing. I hope to clean it up next week." Albert said we have not done bad this year having passed a lot of bills. "But they (Republicans) are going to try to get the Poverty Bill and make this symbolic that we have not lived up to our promises," Albert said. the Committee gave the Administration what was asked for on the button. He said there were some few changes such as giving more authority to local elected officials.

The President said that he learned a long time ago that a project is worthless unless a city or a community shows some interest and financial participation. The President said he did not recommend the change but he has found in the past that it works. "We'll have a cleaner program if Congress passes it that way."

Carl Albert said there are some other areas where there will be problems. For example, a Job Corps trainee costs about \$7500 per year and the Republicans are going to fight that. He said Mrs. (Edith) Green has recommended a \$4500 ceiling. Bill Kelly says he cannot live with that but he will try. Albert also said there will be an effort to cut the appropriations for OEO down to \$1.2 billion.

The President said "that would be the worst thing yet. I hope they don't cut the program too much. I've been to two Job Corps camps and both are doing a good job." The President said Governor Connally had established a good Job Corps program in Texas.

Albert said the Job Corps in Oklahoma was also well received although the State program has not been good, primarily because of the Republican Governor and his appointee.

The President pointed out that the Administration will be blamed if the Poverty Bill gets defeated. "I am as strong for it as anything we have proposed," the President said.

The President then read a list of 21 bills upon which action is needed by the Senate before adjournment and 19 bills which are pending before the House.

Speaker McCormack and Carl Albert both urged Senate action on the Riot Control Bill.

The President directed Barefoot Sanders to talk to Attorney General Ramsey Clark in order that the strongest constitutional bill could be passed.

The President~~then~~ talked about some of the protestors from the peace march of October 21. Of the 256 who allegedly burned their draft cards, a substantial number were crazy people who had previous history in mental institutions according to the FBI reports. Also, most of the cards supposedly burned were ~~xerox~~eroxes or photostats or facsimiles of the draft card and therefore no prosecution is possible. The President noted that he did not want to be like a McCarthyite, but this country is in a little more danger than we think and someone has to uncover this information.

Senator Mansfield commented on some of the pending legislation in the Senate saying that out of the 21 pending, there is a good possibility that 6 or 7 will pass this week. He said the Civil Rights Bill is very difficult because of the filibuster and this will probably hold over until January.

Carl Albert said the Foreign Aid Appropriations will be reported Tuesday. The Product Safety Commission is awaiting a rule. Albert said the retail lobby has really gotten to the Members on the Truth in Lending Bill. A lot of people have told Albert that the Administration should back off from the Sullivan Bill.

On the Tax Bill, Speaker McCormack said that Wilbur Mills won't report it out until he gets the votes to pass it.

Albert said "Mills told me he would ~~have~~ report it out until the climate in the country is ready for it - whatever that means."

The President said it may be too late by next January because the interest rates may have gone through the ceiling by then. The President said he visited with Secretary Fowler today and Fowler is very worried. The President said he told Fowler to go to Congress and find out what it will take in cuts or otherwise to get it.

Fowler told the President that Martin (William McChesney) said this is a very dangerous situation.

Mansfield said he thinks the President should keep pounding away for a tax bill. "You should keep your skirts clean but I don't think we can pass it until next year."

The President said he does not want to be critical of Congress, "but I owe it to myself and to the country to dandidly say what the effect of this will be."

Albert recommended that the President should get all the Appropriations Bills and the Poverty Bill before making farther statements on the Tax Bill.

The meeting adjourned at 6:45 p. m.

33
THE WHITE HOUSE
WASHINGTON

15
October 25, 1967
6:45 p.m.

TO THE PRESIDENT

Tom
FROM: Tom Johnson

Attached are George Christian's
notes of last night's meeting.

Attachment

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NOTES ON THE PRESIDENT'S MEETING WITH THE FOLLOWING:

Members of the Israeli Group

Abba Eban, Foreign Minister
Avraham Harmon, Ambassador
Ephraim Evron, Minister

Members of the American Group

The President
Lucius D. Battle
Walt W. Rostow
George Christian

The President advised Mr. Eban that he had been brought up to date by Walt Rostow on the discussions with Secretary Rusk and others.

Mr. Eban said he was instructed by Prime Minister Eshkol to discuss with the President the larger issues, rather than the more immediate problems. Eban said the events of the last three days made it all the more urgent to get away from the situation of cease-fires and truce lines and settle for nothing less than peace. He said there is evidence of movement among the Arabs toward some sort of settlement. While hotheads might think of war, war has been tried three times without success, he said, so it is the Israeli position to try for peace. He said it is impossible to go on with jerry-built structures. The countries in the Middle East must have:

1. Peace treaties, not an armistice, he defined this as a "live and let live" peace, not necessarily a peace where neighbors love each other.
2. Permanent, accepted and respected frontiers. He said the President's "lucid and precise" points in his June 19 speech were very close to the Israeli position.

Mr. Eban said one prerequisite to peace is that the Arabs do not use their numerous votes in the United Nations to put across a negative plan which leaves many problems unsolved. "If we withdraw to our positions on June 4 without peace, this would be irrational and irresponsible," he said. "We cannot do this twice in a decade. We would just have to say no. National suicide is not an international obligation."

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By GTS NARA, Date 11/16/24

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Mr. Eban said Israel does not want the United Nations to endorse their position but wants it to state that it wants Israel and the Arab States to negotiate their differences with United Nations assistance. He said Israel has been cooperative with Ambassador Goldberg on his plans and tactics to achieve a means of reaching negotiations.

He stated that Israel wants to explore peace ideas with the UAR and Jordan. He was less optimistic about approaching Syria. "Even the Russians say the Syrians are wild men," he said. Mr. Eban made these points:

1. Egypt can get its territory back. All they give in return is peace, which includes access to the Suez and the Gulf of Aqaba.
2. There should be space between the opposing forces. The Sinai by nature is a desert and a barrier; it should not be full of troops.
3. Gaza is a finger in the stomach of Israel and there should be a more rational frontier.
4. As for Jordan, Israel wants peace so much that "we'll stretch our imagination" and try to work out territorial problems.
5. We must get away from backward looking problems. You can't get an agreement from people who won't meet with each other. Israel will not be rigid about techniques but it will not go away from the cease-fire lines and remain in doubt and danger as to the future.
6. He has studied the June 19 speech carefully and on the problems of settlement "we are very close together."

Mr. Eban said Mr. Eskhol had also asked him to take up the matter of a balance of strength. He pointed out that Egypt did not lose many pilots in the war, since the planes were caught on the ground, and the air reinforcements furnished Egypt by the USSR were imposing. He said 150 Israeli planes were the difference between life and death for Israel during the war, and compared this to the British situation in 1940. He said he was glad Israel could reach an agreement with Secretary McNamara. He said Israel hoped to get 77 aircraft from the United States and France by next year. Securing the Israeli air arm is essential to balance of strength and survival, he said.

Mr. Eban returned in his discussion to the question of peace, declaring that "Israel does not want to sit in its chairs and wait for the Arabs... we

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will be active and try to accelerate the process," he said. "They and we have ways of exchanging signals."

He noted that King Hussein is coming to the United States again. He related that on May 1 Israel thought Jordan would try to keep out of the war, but instead Hussein signed an agreement with Egypt on May 30 and opened up on June 5. He said this was a tragic decision on the part of Hussein and Israel does not hold him in much esteem, but if he asks for peace, we'll try to reach a settlement. He started a war then lost it, so he is not in a very good position. We have not worked out detailed maps as these are subject to negotiation, but you could say to him "he can get a good deal. He ought to make a decision soon. The Palestinian Arabs might want a separate state...we haven't encouraged them because we still want peace with Jordan."

The President responded that he could not add to what Secretary Rusk and Secretary McNamara had told him. "You know our problems and we understand yours. Our objectives are about the same."

The President made these points:

--- We share your feelings that we must fashion a peace structure, in that part of the world. We'll do all we can to contribute our part, but peace can best be achieved by your dealing with each other.

--- Israel disregarded my counsel last May and while in the short run the decision to fight looks good, we may all regret it in the long run.

--- The most awesome decision he has made during his Presidency was made following the Israeli attack in his hotline conversations with Kosygin.

--- He understands Israel's reluctance to counsel with the United States on military actions and it is probably good that it doesn't.

--- The President has strong convictions about our responsibilities in the Middle East, especially toward the people of Israel.

--- There is a growing sentiment in this country to "come home" and it is contagious. I do not treat lightly the fact that the AID bill will be cut from \$3.2 billion to \$2.2 billion. The voices of the Mid-West and the rural farmers are manifested in the Congress with increasing effectiveness.

--- The President is more handicapped today than ever because of the shortsightedness of our friends. He shudders to think of the repercussions when Congress gets into the arms sales. "However, I have commitments"

~~SECRET~~

and I intend to honor and uphold them." The Congress is becoming increasingly independent and isolationist.

--- The Russians think the United States has influence with Israel. I don't think that is the case.

--- Israel thinks we have influence with the Russians and that is not the case.

--- We want to preserve Israel independence and nationhood.

--- The President is more alarmed than anyone here about Soviet arms build-up. "We must not overlook their humiliation. It constantly prods them to recoup in some way. I am fearful of the ultimate outcome with all of the price they paid. This is the most difficult and dangerous problem now facing us. They want what you have in the Middle East and they are going to get it if they can. We must maintain policies that will keep the USSR from fastening its tentacles on the countries in the Middle East."

--- The United States will do everything it can to pursue the development of a peace structure in that area. The only sensible and just course is a cease-fire until we can bring the nations together. "I feel that the further away from June 5 you get, the further you are getting away from peace."

--- He appreciates the moderate philosophy Eban has expounded.

--- But we are almost back to the Gerald Nye days when the monstrous munitions maker was on every school child's tongue.

--- On arms, we have made commitments, and we'll try to keep them. "I do not need to convince you of my friendship. I didn't double the amount that came to me for the purpose of liquidating Israel."

The President said there is in this country an atmosphere against foreign commitments, reflected in the attitudes of some Senators. These men are certainly not for protecting Israel, and do not feel we should carry out our treaties elsewhere. He said that one told him that "we should abandon Southeast Asia because they are not our kind of people." The President said if that's the basis of our foreign policy "you've done had it." He said he was going to do the best he could, but the situation was more serious than the last time he and Eban talked.

~~SECRET~~

The President said in Southeast Asia he had the Tonkin Gulf Resolution with the instruction to deter aggression. "In the case of Israel about all I have is a toast."

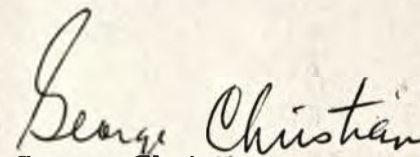
The President said he obtains much comfort from Jewish people in this country, noting that a recent New York poll showed Jewish voters favoring him by 81 to 7. "That proves you are still the smartest people in the world," he said.

The President said the United States is going to do its best to exercise power in that part of the world; that it will be a just policy as far as Israel is concerned.

Mr. Eban said the President had already helped immensely at Glassboro by keeping the USSR from being entirely negative on a peace settlement in the area.

The President repeated again that he was disappointed in the attack on June 5 after his entreaties to Mr. Eban not to commence hostilities. "But I must say, that you did what you did do very well."

Mr. Eban replied that he and the President had talked on May 26. Were it not for that conversation, he said, Israel would have gone to war on May 27. The ultimate decision was made after the situation deteriorated to the point there was no other course of action, he said.


George Christian

October 13, 1967

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PRIVATE MEETING IN THE PRESIDENT'S OFFICE
OCTOBER 11, 1967
PRIOR TO THE REGULAR WEEKLY LUNCHEON

Attending were:

Secretary Rusk
Secretary McNamara
General McConnell
Walt Rostow
George Christian

general

Secretary McConnell stated that the reason for the meeting was to hear the recommendations of General McConnell on air strikes in Phuc Yen air field. General McConnell said that MIGs are getting more active in the Phuc Yen area, although the need for a strike now is really no greater than it has been. He said the MIGs are changing their tactics. We lost three planes this month, 10 MIGs; we will lose one to three planes on the proposed strike.

The President asked what would be accomplished.

The General replied that if we catch the MIGs there, we can do pretty well. He said there are 16 aircraft at Phuc Yen, and taking out half of them would be a highly successful strike.

The President asked if there is any urgency in the next week or so.

General McConnell replied that if we catch the MIGs there, we can do pretty well. He said there are 16 aircraft at Phuc Yen, and taking out half of them would be a highly successful strike.

The President asked if there is any urgency in the next week or so.

General McConnell replied that the longer we wait the more damage they will do to us.

Secretary McNamara said there are still 14 authorized targets in the area which have not yet been struck.

DECLASSIFIED

Authority 11187-85
By CS NARA, Date 1/16/24

He described the air field as militarily marginal. He said we had lost 3 planes in the first 9 days of October, compared with none in July, 2 in August and 1 in September. Since the rate of activity is up, Admiral Sharp has made a strong request. Secretary McNamara said that you can't attack the air field once and stop. It will have to be restructed.

Secretary Rusk asked how important it is to surprise the enemy.

General McConnell replied that the enemy cannot be surprised, that they are expecting us to hit the air field any time we go into that area.

Secretary Rusk said that we should not keep referring to targets being shifted from one list to another. Everytime we hit a new target, there is a notion around the world that this is escalation. He said each one gets built up. He said he is not too concerned about Phuc Yen, but suggested it be held off a few days. He said he does think it is a marginal target.

No immediate decision was reached on the authorization.

George Christian

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GC/jdh

21
17
October 5, 1967

MEMORANDUM FOR THE RECORD

FROM: Douglass Cater

SUBJECT: Meeting of Rene Maheu, Director General, UNESCO and
William Benton with the President

Benton called attention to the fact that both the President and Maheu began life as teachers in small schools. President said that education was the most important work a man could be engaged in. Asked Maheu to convey his greetings to the education conference in Williamsburg.

Suggested they might consider setting 1969 as International Education Year. Maheu responded that he would raise this at the Conference. However, he thought possibly 1970 would be better since 1969 is the ILO anniversary.

President said he was trying to put as much of our aid programs as possible into education and health. If you are healthy and educated you can build your own steel mills.

The President urged a go-ahead on the UNESCO project to help equip a National Technical Center in Phu-tho, Vietnam.

Maheu mentioned literacy projects. The President replied that this was important. He indicated that we had preferred to channel most of our support to developing countries through Paul Hoffman's agency. Maheu replied that Hoffman's agency supports a good bit of the UNESCO budget.

Benton pointed out that Maheu's term was coming to an end. The President indicated that Rusk had spoken to him and urged him to support Maheu for reelection. He said he was glad to do so.

The President mentioned importance of communications satellites in bringing education to developing countries. Maheu mentioned specific plans for India, Brazil and Indonesia. The President commented that anything we can do for Indonesia is important. Benton called for UNESCO conferences in the United States. President said we will cooperate in any way we can. Suggested that Benton and Maheu brief the press on their meeting.

President pointed out the importance of maintaining Congressional support for UNESCO'S budget. It is important to limit budget increases and be able to justify them with demonstrably effective programs.

Regarding Vietnam, the President commented on his responsibilities as Commander-in-Chief -- not to expose American boys needlessly to increased danger. He also mentioned the views of those who would have him prosecute the war with much less inhibition and restraint than we now exercise.

Note File
Tom Johnson (20)
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FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: Congressional Leadership meeting, Monday, October 2, 1967

Attending were: Speaker McCormack, Congressman Carl Albert and Hale Boggs, Senators Mike Mansfield and Robert Byrd, Postmaster General Larry O'Brien, Mike Manatos, Barefoot Sanders, George Christian, Tom Johnson and Jim Jones.

The President opened the meeting at 5:55 p.m. by reading from Barefoot Sanders' memo concerning this week's Congressional program. (copy of memo attached)

The discussion then turned to the continuing resolution on appropriations. The President pointed out that basically the Democrats have got a problem trying to get the majority of the House and the Senate working together on the same goal. The President said the best goal he can give is the budget which he recommended. He pointed out that he has already cut \$27 billion from what was submitted to him by his various Cabinet and Administration officials.

The President said "counting what we did in Space and Defense where we cut about half a billion dollars each from the \$136.5 billion budget, the Congressional legislation will be within \$1 billion of that." The President pointed out some of the problems he faces, such as the poverty bill where the Senate reported out of Committee an addition of \$3 billion and the House voted to cut the poverty by \$5 billion. "Until I get these bills, I cannot tell where actual cuts can be made." The President noted that of the three bills he has received so far, he may be able to save \$100,000 by cutting out Internal Revenue agents, customs collectors and some mail deliveries.

The President added that of the \$21 billion he can cut, about \$8 billion are payroll, and that leaves \$13 billion that can be cut. The President added that he does not know who is running Congress, whether it's Wilbur Mills or George Mahon or whom. He then said he hates to impound funds because he had given President Eisenhower much static for impounding funds. Last year Wilbur Mills made the President do it. The President then got all the leadership together at the Ranch and showed them what he would cut. Everyone agreed, then later everyone of the 41 including Mills came to the President and asked that the funds be released. "I'll be cooperative with the Congress if the majority will just tell me what it wants," the President said.

Senator Mansfield said that the President cannot cut until he gets the appropriations bills, and he added "that is our fault - we've got several of these bills piled up in the Senate."

The President asked Hale Boggs to read a letter from George Mahon concerning expenditure reductions, and he also asked Boggs to read the proposed reply to the Mahon letter. The President also asked whether or not he should send this reply.

Boggs read the letters, copies of which are attached.

The President re-emphasized that he had already cut \$27 billion from the budget. He noted that the Cabinet officers were told to cut to the absolute minimum they can live with, and that figure was brought in to the President, and from that figure, he cut an additional \$27 billion. The President then asked for "your unvarnished and candid view of this letter."

Majority Leader Carl Albert said "one point that would be challenged by Laird (Congressman Mel Laird) who is the brightest and the meanest of the Republicans is this: He said in a one minute speech this morning that this is not a question of appropriations but a question of expenditures. He says you can't reach this by the appropriations process."

The President said "we think expenditures must follow the appropriations."

Albert replied, "I assume he refers to the hitherto appropriated funds."

The President said "we only have three. The legislative budget can be sent back to you; Treasury and Post Office we've got to cut the customs inspectors and mail deliveries and Interior, we'll cut out some dams."

Postmaster General O'Brien said "we could eliminate Saturday deliveries and not process mail on Sundays and but business deliveries from two to one per day."

Albert pointed out that only 34 Democrats are voting with them on this.

The President asked what Mansfield thought the Senate will do with his recommendations of the \$136.5 billion budget.

Mansfield replied "I see an upward adjustment, not a downward adjustment."

Albert said "tomorrow we take up the ten day extension."

The President told Albert "we have to conclude at the Democratic caucus with the question, will we support the President's budget, cut it, or just what will be our policy. I think our policy should be to support the President's budget."

Albert agreed that we take this as basic. Albert said he wished he could forestall the pay increase but he can't see how to do it. He pointed out that if it comes up, it will surely pass.

The President asked what will happen to the poverty vote.

Senator Mansfield said he thinks the Byrd motion to recommit will carry. "That will still be \$198 million above the recommended figure."

Appropriations Committee Chairman George Mahon entered the meeting at 6:30 p.m. and read the proposed reply from the President concerning budget cuts. Mahon was asked about whether a ten day extension was sufficient, and he allowed that the Senate should make it a 20 or a 60 or a 50 day amendment thus giving room for compromise in conference.

The President said we might make it 50 days and go to conference and settle for 30 days.

Albert said we might get beat but it would not hurt trying.

Returning to the Proposed Presidential reply to the Mahon letter, Mahon said the question is whether the President should get into the controversy at all. "If yes, it's a good letter," Mahon said. Mahon said he particularly likes the part that nails Bow's provision concerning the Constitutional prerogatives of the Legislative and Executive branches.

The President asked what about making this letter a reply from Budget Director Charles Schultze. Mahon said "Schultze could not speak on policy matters like the President could."

Whip Hale Boggs asked Mahon what kind of an answer he gives "to those fellows who are holding a pistol to your head."

Mahon said "I point out to them that we can cut appropriations about \$5 billion but this would result in only about \$2 1/2 billion actual expenditure cuts. I tell them that it would be best if we could abandon until next year the pay increase, that way we can save \$1 billion."

Albert added that if we abandon the pay increase, we also lose the postal rate increase and the two balance off each other.

Mahon said "we've got to cut \$10 billion out of the appropriations in order to get a \$5 billion cut in expenditures."

The President said he believes that we should send the letter to George Mahon from the Budget Director. If the President sends it, it just heats up and solidifies the Republicans.

Albert said "how can you improve on perfection, when you talk about solidifying the Republicans." Albert said "Ford has 187 Republicans in his vest pocket, and add to the 25 or so Democrats from the south, and that's all they need to win."

O'Brien asked what will happen if we lose the continuing resolution.

Mahon said he believes the House will approve the ten day continuing resolution.

Albert asked "George, should we go to the caucus asking support for the ten day resolution or for something beyond that and if so, how far?"

Mahon said we should ask support for something going beyond that, but not specify how far.

Albert said "should we not say that we are asking for a ten day resolution but we will need additional time beyond that."

The President said he should tell the Congress that previous Presidents have asked for temporary, limited taxing powers. This was always denied. Now the question should be raised to the Democratic caucus "do you want the President or Budget Director to make all the cuts or do you want the Subcommittee Chairmen like Jamie Whitten who have been studying this for nine months to recommend these cuts. The President pointed out that Wilbur Mills was against the tax increase. The first reason was that the economy was too sluggish to stand it, and now that that's passed, he's picked up something else.

Mahon said Jamie Whitten thinks we might pass through the House an across the board 5% reduction in expenditures.

The President said "Budget says that is the worst thing that you can do."

Mahon said "the President might announce that he stands by his January appropriations budget, even in view of increasing war costs and inflationary pressures and the like. The President should say that he can make the following reductions and list some, and if necessary he could consider others."

The President replied that that would just put all the pressures on him and that he would be the terrible man with every group such as the farmers and city people, urban coalition, etc. He pointed out that Model Cities needs \$40 million, "and if you don't take my bill this year, you'll spend ten times that next year."

The President said I've decided now to let Schultze send you the letter and he can say everything that's in it. The President added that he thinks Mansfield should have a caucus in the Senate and point out ~~that~~ the temper of the House Democrats.

Hale Boggs replied that the situation in the House is terrible. "It took all day just to pass the \$25 million Juvenile Delinquency Bill and there was much nitpicking over it."

The President asked about the future of the Poverty Bill in the House.

Carl Albert replied that "it's now very close as to whether or not the Poverty Bill will pass at all."

Barefoot Sanders replied that his best reading now is 150 to 160 votes for the Poverty Bill.

The President directed that Shriver be brought here tomorrow and begin working on this.

At 7:20 p.m. Senator Mansfield departed the meeting.

O'Brien asked what happens if we lose on the continuing resolution.

Albert said "we send it to the Senate with the Bow Amendment, and they'll have to strike it off and then come back to us."

The President closed the meeting by asking if he should raise the milk prices 2 cents per quart as Wilbur Mills, Carl Albert and others have asked. The general consensus was that he should not.

The meeting adjourned at 7:30 p.m.

THE WHITE HOUSE
WASHINGTON

September 21, 1967
9:50 a.m.

MR. PRESIDENT

I thought you might like notes of
your meeting last night with the
Australian group. Thank you for
inviting me in.

CM
Charles Maguire

19a
CONFIDENTIAL

NOTES OF PRESIDENT'S MEETING WITH AUSTRALIAN
BROADCAST GROUP

President's Office, 6:30-8:30 p.m., September 20, 1967

(Partial notes taken from time of late arrival at President's meeting with T. S. Duckmanton, General Manager, Australian Broadcasting Corporation and his colleagues, Mr. Peter Barnett and Mr. Charles Buttrose. Also attending were Messrs. McPherson, Califano, Christian, Goldstein, Rostow, Sanders, Cater, Duggan, Johnson, Maguire.)

President: How widespread is Australian opposition to U.S. involvement in Vietnam -- "About one-third?"

Mr. Duckmanton: "Closer to one-fifth of the population."

President: "How much of the agitation here gets back to Australia?"

Mr. Duckmanton: "Quite a bit." It's "all out of proportion" to the American domestic scene, but that is "inevitable and hard to avoid."

President: "What would the Australian opposition do if they were me ... if I gave them carte blanche?"

Mr. Duckmanton: Take our Labor Party as an example. They have changed their stand as of 12 months ago, when "they were 100% for withdrawal." They now feel this is unrealistic. The U.S. can't withdraw, but they should still do more to achieve peace. The Labor Party ratified this stand just six weeks ago at their Conference -- admitting also that it was wrong to withdraw Australian troops from Vietnam.

Laborites and many other Australians do feel the U.S. should stop bombing -- "in spite of what you and your advisers have been saying." They think a bombing pause "would be meaningful."

President: Read from a letter declaring U.S. willingness to halt bombing at first sign of Hanoi willingness to reciprocate. "Don't you think that puts it as simply as you can?"

Determined to be an
administrative marking
By RLH On 1/16/74

"Hanoi will not even agree to sit down and talk...if people want to talk about bombings, they should know that the North Vietnamese bombed and killed more civilians in the last four weeks, up to the elections, than all we killed in 2 1/2 years...and they're North Vietnamese figures, not ours."

There are good reasons why we can't stop bombing now, as much as we want to.

"We can't stop unless we really want to be murdered... We want to provide a maximum deterrent at a minimum cost... They keep putting the bridges back and the POL stations back... 400 sorties keep 7000 of them busy... If we stop the sorties we release those 7000 VC... and what do I say to our boys then? There's 60,000 to 70,000 of them in the DMZ and they can engulf us."

Remember three things when you ask us to stop bombing:

- "We're willing if they want to talk."
- "But even if we're willing we're taking the risk of releasing 60-70,000 of them right across the street from us... and if they throw pressure at us we'll have to resume."
- "I can't understand anyone who wants a Commander-in-Chief to let 20,000 men be wiped out..."

Mr. Duckmanton: Agreed. "It's hard and I am fascinated by the way The VC are able to push their arguments..."

President: "I don't know why the critics don't shudder when the VC throw bombs at my Pleiku headquarters."

Nine Familiar Peace Theories

The President recalled the most common suggestions for achieving peace, and the answers to each:

1. The "Negotiate Now" Theory

"I am ready this second. I have always been ready. But they won't talk, they won't sit down -- and I can't negotiate with myself."

2. The Enclave Theory

"We've a good example of that right now in the DMZ. We're hunkered up there right now, sitting it out like a jackass in a hailstorm and taking a beating." The Gavin theory just isn't working in practice. "We needed the B-52's just yesterday" to help relieve the pressure on us in the DMZ.

3. The Surrender Theory

"You can make a case for it but"-- turning to Mr. Duckmanton -- "I think your blood pressure would go up if we swallowed our pride and pulled out... Thailand, Laos, and other Asian nations would feel the squeeze... It would be an open invitation to China and I think they would pick it up a hell of a lot quicker than the Soviets did in Eastern Europe."

4. The "Reject Military Advice" Theory

"We're careful about that." McNamara is very cautious. "We'd hit Haiphong tomorrow and wipe it out if the Soviets and others would oblige us by pulling out their ships... but they don't and we won't."

5. The "Negotiate with NLF" Theory (recalled by McPherson)

"I have asked them, we've invited them... Thieu has asked them, but you can't rope them -- we just don't have that many cowboys out there."

6. The "Go to Geneva" Theory (recalled by Goldstein)

The theory holds that the President should make a dramatic personal appearance at the truce table. "I've said that I'll go anywhere any time and Thieu has said it... we'll go along with the Vietnamese and they'll sit down with the NLF."

7. The United Nations Theory (recalled by Maguire)

"Yes, we hear that one, but they don't belong to the UN and U Thant says we can't do it... and the Russians have problems with that one and they'd have big problems because of the Chinese."

8. The "All for Nothing" Theory (recalled by McPherson)

It is said that U. S. overtures to the NLF promise them little or nothing. NLF regard our proposals as forcing them to yield all advantages and gains. They want harder assurances in advance.

The President disputes these assumptions: "They are not taking any bigger chance than we are."

9. The "You Don't Really Mean It" Theory (recalled by Mr. Duckmanton)

Critics such as Harry Ashmore dispute the genuineness of U. S. peace proposals. The President explained the Ashmore incident, stressing the sincerity of that U. S. peace proposal and others preceding and following.

President (to Mr. Duckmanton): Do they make these arguments in your country?"

Mr. Duckmanton: Yes. Australians are particularly receptive to suggestions for a bombing pause and recourse to U.N.

President: "Would they stop bombing if Westmoreland put Australians on the line in the DMZ?"

(BREAK)

The President left to meet with Secretary Fowler and Dr. Watanbe, President of the Asian Development Bank. He invited the group to remain and continue their discussion until he returned.

Mr. Duckmanton: It is hard for television broadcasters to tell the Australian people about the real struggle going on in Vietnam... the economic progress and successes... the true American purpose and achievements. A "spectacular" like a mortar attack or the bombing of the Chinese Nationalist Embassy in Saigon always dominate the news. To the reader and viewer, these "spectaculars" are a sign of V. C. strength "despite U. S. explanations" of V. C. defeats, growing weaknesses and denials of stalemate.

Mr. Rostow: Described record and pattern of V. C. battlefield and terrorist initiatives. "We have them plotted back to 1961...1962 was a bad year for the V. C."

(Mr. Rostow drew a simple sketch for Mr. Duckmanton, showing the declining curve of V. C. initiatives.) "Their curve went to a peak in 1966, now there is sliding back even on the battalion levels... They are down-slope now... relying, as they told the Polish mission recently, on our incapacity to sustain DMZ casualties" and scattered incidents or the feel of stalemate.

Hanoi's leaders are elderly men. They are living on their French Indo-Chinese memories. "They're hanging on." They lost their winning strategy between the 1964 build up and now -- "now they are just hoping we cave in."

Hanoi is suffering a growing manpower shortage. That is one reason why they have switched to terrorist tactics and new reliance on mortar strategy -- "to spare men."

Mr. Duckmanton: "Of course, this is our first television war." It is difficult to control news content, impossible and undesirable to censor it. Last night, he heard a television commentator make a "hard-hitting comment" on U. S. conduct of the war. The commentator described a Marine landing with tanks, describing tank support as wasteful in terms of V. C. destroyed and destructive in tearing up the rice paddies.

Mr. Rostow: "The population thing is really fascinating... It isn't all pacification... The U. S. construction effort has created employment and a city boom... it's really a developing nation over there, a rare thing in Asia... and it's spilling over into the countryside."

The President rejoined the meeting at this point. He described how the real story of the U. S. reconstruction and pacification effort shows up in his mail from the battlefield -- in stories of Marines rebuilding schools and the fighting man's compassionate concern for the Vietnamese.

"But the television doesn't want that story. I can prove that Ho is a son-of-a-bitch if you let me put it on the screen -- but they want me to be the son-of-a-bitch."

Press coverage of Vietnam is a reflection of broader and deeper public attitudes, a refusal by many Americans "to see the enemy as the enemy."

The President analyzed this public mood as being rooted in "a maternalistic attitude toward the enemy unlike anything we have had in other wars." You can blame it on liberal (permissiveness). But the best way to turn a peacenik into a realist is to tell him the truth about the chances of his wife being ravaged by V.C. if she were over there.

NBC and the New York Times "are committed to an editorial policy of making us surrender." To correspondents like Wilson Hall and Dean Bralis there is no such thing as a good American record -- "they just leave out the U.S. figures and give statistics showing American losses and V.C. successes."

Mr. McPherson: Sympathy for Ho may be an echo from the past. Ho has a certain charisma remaining from his fight against French colonialism. Americans and other democratic peoples are anti-colonial, siding with small nations and national leaders, hostile to Big Powers on principle.

The President agreed with Mr. McPherson's basic thought, but recalled the pro-Castro reports by Herbert Matthews of the New York Times in the first stages of the Cuban revolution.

Mr. Cater: Inquired if the President had seen the Eric Hoffer - Eric Sevareid television interview last night.

President: "No, but I want to see Hoffer." (The President had been detained with President Saragat, "an able man.")

Mr. Duckmanton: "Who do you think has the power in Hanoi? Does Ho really have it?"

President: Yes. Ho has the power, though he may be sharing some of it with younger men. But he retains authority and command.

The President asked Mr. Rostow to look into "all the PL 480's." Mr. Rostow said he was working on it.

The President asked Mr. Duckmanton where the Australians planned to provide the new R&R facilities for Vietnam troops. Mr. Duckmanton cited Brisbane and Melbourne for an anticipated 4000 fighting men.

The President asked Mr. Duckmanton's advice on "how to keep the press happy." Mr. Duckmanton deferred to the President's greater expertise. He described current Australian press treatment of Prime Minister Holt as "rougher than usual." Vietnam is only a partial explanation. The Australian press is "testing Holt because he has had 12 months since his last election and it's a good time to test his mettle." Holt also has a tough Senate election coming up. Proportional representation means that even a 5-7% swing will make it difficult to get a majority. "It is a big test for Holt."

Holt is much better on TV now than before, though still a little nervous.

President: "But he is not like that in person." Mr. Duckmanton agreed, while citing a recent 40-minute TV interview where Holt kept shuffling his feet, giving a nervous impression to viewers.

President: "What do the Australians think would happen if we pulled out of Vietnam?"

Mr. Duckmanton: That Red China would dominate the region. Many, but not all, believe in the domino theory -- that other small Asian nations would fall.

Mr. Duckmanton: Suggested a further theory for President's listing of most common peace suggestions:

The "Limited U.S. Presence" Theory

Part of Australian opinion holds that the Vietnam conflict "is really a National Liberation action... a political crisis that the Vietnamese should be allowed to settle for themselves." These Australians ask if "the U.S. could not exercise its good influence in Asia without a ground commitment?... If you could keep mobile with your bases and avoid a ground presence or confrontation?"

President: "We tried that... we tried hard and long from 1963 to 1964 and half of 1965... That is 19 months but it didn't stop North Vietnam. We still have our bases, but there is no stopping... They just don't understand that language."

President: "Do the Australians know that if we pull out and failed in Vietnam it would affect more than Vietnam?"

Mr. Duckmanton: "Yes, they do."

President: Do they believe that it would encourage the growth of domestic Communist influence in Australia?

Mr. Duckmanton: Not really. They are more concerned with the outside threat of Red China.

President: Do you think the Indonesians could go it alone if we came home? Could they stand up without us?

(To Walt Rostow) "What do you think would happen if we pulled out of Vietnam?"

Mr. Rostow: The U.S. would suffer an immediate and profound political crisis -- "the worst of this century." We would be divided by a bitter and prolonged debate, which the forces of "a powerful isolationism" would win.

President: "They would say our character had worn out?"

Mr. Rostow: Yes. And while we were divided and preoccupied by debate, the USSR and China would seize dangerous initiatives. NATO "could never hold up."

President: "What about out there?"

Mr. Rostow: Leadership in Laos, Cambodia and Thailand "would cave in." They would be compelled to "make deals with China." Concessions would be made "as a matter of political agreement," because no one nation or leader would have the power to withstand Chinese pressure. All deals would be made on Chinese terms. The whole area would "go under to Chinese influence."

There is some possibility that the Indian subcontinent might hold firm. It is more certain that the Japanese would refuse "to kow-tow to Peking." Instead, Japan would go nuclear. The USSR and China would react in turn, "making for an extremely dangerous situation in the Far East."

Looking ahead, the world could return to a cycle of Big Power struggles. A weakened and divided America would be powerless to modify or check the cycle. At worst, America could recover from an isolationist spasm only to be pulled back into wider and more grievous international conflicts, possibly a larger war.

~~CONFIDENTIAL~~

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President: "In five years could they take Laos, Cambodia, Burma, Thailand, the Philipines and Malaysia?"

Mr. Rostow: "There's no doubt of it. There's no power to stop them. The countries would go down by political agreement."

President: "The Soviets could not provide countervailing power.... Great Britain couldn't do it. And I guess Holyoke is not up to it."
(Laughter)

Mr. Rostow: "That's the way the Asians look at the problem. They fear this today."

President: (to Mr. Goldstein on subject of European repercussions)
"Why shouldn't we come home?"

Mr. Goldstein: First, a Vietnam pull-out "would make DeGaulle look like the biggest hero in Europe." Secondly, it would invalidate "The U.S. word throughout Europe." NATO would go....the Germans would demand nuclear power....that would bring the Soviets in.... Western Europe would tighten up," tensions would mount and conflicts erupt,

President: "I don't want to be misunderstood, so I'll measure my words. I think we may have made two mistakes in Vietnam...."

First, our posture at home and abroad may have been too moderate, too balanced, not strong or assertive enough from the first. It is possible that we may have moved into Vietnam too slowly -- that we have been too restrained in our bombing policy -- too gradual across the board. In retrospect, we may have been too cautious for too long.

Second, we may have helped to create mistrust or misinterpretation of our peace proposals. If the sincerity of our overtures are questioned, it could be that we have crawled too often.

History will record the lengthy and imaginative list of U.S. peace initiatives. It will record how they met nothing but arrogant rebukes by Hanoi, a pattern epitomized by Ho's letter.

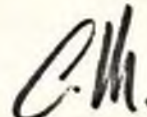
Tommy Thompson, one of our wisest and most experienced diplomats, labored through all of January to bring Hanoi to the conference table. When he could not deliver, we decided to shoot the works -- to have the President himself write Ho -- because we couldn't be at peace with ourselves unless we tried it.

We may have misled Hanoi by such willingness. We may mislead them still by the soft, sob-sister, maternal image we project.

Eisenhower may be right. If gradualism does not pay off early, then the enemy must be regarded as the enemy and fought with all resources, with no sanctuary or quarter given.

Mr. Duckmanton: Thanked the President for his time and thoughts. "I am not giving you any Australian line and I am not at all gloomy ... I do not believe there is any softness in the Australian resolve to see this thing through."

President: "I don't want you to mistake my feelings either...I don't intend to retreat an inch...I'll advance...and I'll stick with our gradualist policy too... We won't step it up but we will never stand down."



- Notes by Charles Maguire

THE WHITE HOUSE
WASHINGTON

September 20, 1967
4:45 p.m. Wednesday

MR. PRESIDENT:

Attached are the notes of your meeting with Secretary McNamara, Attorney General Clark, Under Secretary Katzenbach, Secretary Udall, and Administrator Knott today at 1:30 p.m.

@
Marvin

THE PRESIDENT'S MEETING WITH:

Secretary McNamara
Attorney General Clark
Under Secretary Katzenbach
Secretary Udall
Administrator Knott

The meeting began at 1:30 p.m., Wednesday, September 20, 1967, and ended at 1:45 p.m.

The President opened the meeting with reference to the anticipated March on Washington October 21 and 22.

Secretary McNamara reported that he checked this morning with the Bureau and that the sponsors still claim they will have 200,000 people in Washington. Yet the Bureau believes 40,000 to 50,000 is a more realistic number. It is expected that the group will move against the White House, the Capitol, and the Pentagon and very likely other Government buildings.

McNamara reported he has a group inside the Defense Department to study the information it has. He concluded that troops would be able to move in and handle those things determined necessary.

The question was should there be consideration of an injunction or legislation and should there be someone with direct supervision over the activities of the various parts of the Government.

The President called on Ramsey Clark who recommended an overall command post to be either in the Defense Department or Justice Department.

Katzenbach agrees there should be a central command post and possibly preliminary steps taken to discourage attendance. In any event, steps must be taken to make certain all essential and central roads are kept open and an effort made to learn the plans of this group.

Ramsey says their information is that they have attempted to secure 1,000 busses in New York. However, the indication is that they will be only able to secure about 150 buses.

2.

McNamara pointed out that as of now no buses have been contracted for. McNamara stated that the President may wish to ask someone else to chair or have supervision over the activities of the various parts of the Government. However, he said the Defense Department would give all the information and help that it could.

Ramsey Clark said that the Justice Department has had many preliminary meetings on this but no one, as yet, is heading it up.

Udall says how this is handled is very important.

Knott agrees and says they will furnish whatever help they can but GSA only has about 300 guards.

The President asked the Attorney General if they have personnel and the resources to handle it. Ramsey said the Justice Department could supervise it.

The President asked Justice to supervise it and to make recommendations as to what needs to be done.

Ramsey Clark, Secretary McNamara, and Under Secretary Katzenbach suggested that the President may consider being away from the White House on those days.

The President asked the group to study the advisability of postponing the United Nations program with DeSalle.

September 19, 1967

TO THE PRESIDENT
FROM JAMES R. JONES
SUBJECT Congressional Leadership Breakfast
Tuesday, September 19, 1967

Meeting convened: 8:36 a.m.
Meeting adjourned: 9:35 a.m.

ATTENDING WERE:

Vice President Humphrey
Speaker McCormack
Congressman Carl Albert
Congressman Hale Boggs
Senator Mike Mansfield
Senator Russell Long
Senator Robert Byrd
Postmaster General Lawrence O'Brien
Barefoot Sanders
Mike Manatos
Joe Califano

The President commended Speaker McCormack on the radio interview he made last week. The President pointed out that the Republicans are making these radio tapes and they are playing them all day on the stations and he hears these all day, and the Democrats should be doing the same thing.

The President noted that the rat control vote may be coming before the House again. He added that we should wait until we get the Housing Bill out of the Senate. "Those who are for the Housing Bill can then correct their record on the rat control legislation by voting for both."

Carl Albert said, "I agree. This is not the proper vehicle."

The President said "Sparkman will get a Housing Bill out next week. Can we get Reuss to wait?"

Albert said "It would be difficult but Reuss might wait. He's been talking about it too much."

Speaker McCormack said "Reuss is a good fellow and..."

The President asked Senator Mike Mansfield how the Japanese were.

The Speaker asked Carl Albert to talk to Reuss because he believes it is poor tactics to bring the rat control up now.

Mansfield reported briefly on his Asian and Far Eastern trip. "The Philippines are on the upgrade. They are doing a good job. They expect to get control of the Senate and Marcos is doing a good job. In Macao -- Portugal is bending with the wind with China in their race. Hong Kong -- I expect more troubles. In Japan the economy is in good shape, there's some talk about Okinawa."

The Speaker asked about Huk activity in the Philippines.

Mansfield said "there is not much." Mansfield spoke of the situation in China, pointing out that he understands Lin Piao is in control. He said to watch Choen Lai because he is being friendly with both sides and playing it down the middle. He said "there is some friction and some disorder and it might last for months yet."

The Vice President asked Mansfield if Marcos (President Marcos of the Philippines) talked about the civil action groups and the Engineer Battalions?

Mansfield said "yes, but most of the time was spent talking about rice, production, graft, corruption, cleaning up the local situation..."

The President said he was glad to hear that Marcos was friendly, because he had heard bad reports.

Speaker McCormack mentioned his radio interview and the question they asked him on George Romney's brainwashing comment. The Speaker commented "it was more than amusing, it was astonishing that anyone who might find himself in the White House could be brainwashed so easily."

Albert said he didn't think we should "knock Romney out yet because he would be easiest to beat in 1968."

The Speaker disagreed, saying he believes "in the school of politics that you should take advantage when opportunity knocks."

The President said his biggest problem now is with Mills (Congressman Wilbur) and the Ways and Means Committee and the Budget. He pointed out that high interest rates and other spin-off issues from this would be disastrous, saying that if we should fail to get the Tax Bill and have to borrow this money it would not be good. It would also not be good to have a \$30 billion deficit. He said we are trying to figure out how to cut expenditures. We have over \$100 billion that we can not touch of funds such as Treasury, Post Office, Defense and the like. The only touchable items are on Education, Poverty, Health etc. The President said "I gave some thought to sending a message to Congress showing touchable items amounting to approximately \$20 billion and asking Congress to reduce this by 10% or a total of \$2 billion. Budget people say that is not the way to do it however. So what do you do with a \$30 billion deficit?"

The President said on PC's, the Republicans will try to embarrass us if the Democrats don't hold together in the House.

Mansfield said we are very hopeful in the Senate.

Mike Manatos said that he has not had a Senate head count, but out of the Committee, three Republicans, instead of the four he had previously mentioned, were against PC's.

Albert said "I keep hearing that we can't get the Tax Bill out of Committee."

Postmaster General Larry O'Brien asked Hale Boggs for his analysis of the Tax Bill.

Boggs said "With Mills you can get it out of Committee and without Mills you can't. I'm not sure you will get a bill out as a package as we now have, but you'll get it out in some form and you'll pick up some Republicans such as Conable (Congressman Barber) if you get Mills' vote."

The President urged that we get all appropriation bills out of the House.

Albert replied "all we're waiting on is the authorizations in the House and there is no problem in getting the appropriations." Albert did acknowledge that we would have real trouble on OEO authorization, especially the plan to split it between Education and Labor.

The President asked about the Clark Amendment to add \$3 billion to the OEO in the Senate.

Mansfield said we should get as close to the Administration request as possible.

At this point, the President read excerpts from Califano's memo on OEO Amendments in Committee. "Major departures from the Administration bill contained in the Committee Bill are the Emergency Employment Act of 1967 which authorizes 2.8 billion to subsidize jobs in various public service activities; authorizes 2.258 billion for the poverty program: 198 million over the 2.06 billion we requested and provides an open end authorization for Fiscal 1969. It also deletes our \$20 million summer camp proposal. The authorization changes are: adds a 105 billion for our new "special impact" economic development program; adds \$40 billion for our community action programs; adds \$35 million for a new day care program; adds \$25 million for Small Business Loans; adds \$3 billion for migrant programs; adds \$2 million for VISTA; reduces the Neighborhood Youth Corps and Adult Work Training program by \$12 million. Changes related to Community Action Agencies are: it deletes requirement that Mayors and other public officials be represented on the Community Action Boards. It weakens the Administrative requirement that our bill would have imposed on local Community Action Agencies. Continues the 90-10 matching requirement for Community Action programs instead of the 80-20 requirement we proposed. The bill requires the director of OEO to submit to the Congress plans for eliminating poverty over periods of time such as 5-10-15 years." The President commented "we should kill this bill in Committee...the time to kill a snake is when you have a hoe in your hand."

Senator Robert Byrd said that Joe Clark wants to bring this up next week and not this week.

The Vice President said "if that Community Action part goes in you are going to have chaos." He said "all this does is let them organize against the Mayors."

Byrd said "if we don't cut out the Community Action and VISTA, we are going to loose a lot of Congressmen next year."

The President asked "Can you defeat it in the Senate Committee? You (Mike Mansfield) or Dirksen should make this a leadership question. Let's tell them don't force money on bureaucrats when they haven't asked for it."

Manatos said "Senator George Murphy may offer a motion to recommit Title II because there have never been any hearings on it."

The President said "That's good but this should be done by the leadership, not Murphy, because he can't carry it. We should kill the committee amendments because we just can't operate like that."

The President then reviewed this weeks legislative schedule. "In the House, we have Partnership For Health amendments and Mental Retardation amendments and Public Television. In the Senate, the Independent Offices - HUD appropriations and the OEO authorization. We anticipate no trouble on Mental Retardation, Public TV is a major Administration measure. On the Food Stamp Extension, the

conferees met at 2:00 p.m. Tuesday to try again to reach agreement on the two year authorization. Both House and Senate leadership should be sure that Ellender and Poage follow through on this procedure so that we can resolve this matter once and for all." The President then asked what Senator Russell Long thought of the Presidential Campaign Fund.

Long replied "we have a chance...its a beautiful issue if we handle it. It's the issue of the Jeffersonian v. s. Hamiltonian philosophy of government. You either are for the people or for the money people!"

The President said "some of them have been talking against you."

Long said "Brewster is against it because he must show his independence any way he can. Talmadge is against it. Lauche is against it. But, if Senator Gore thinks he can deliver, plus our fellows - we should win."

O'Brien opined that "the main problem is with the fellows that are up next year because they will be accused of trying to finance their own campaigns."

Long said "it's fine with me to wait two years to put this into effect or we might make it effective for the Presidential campaign and hold it off for the Senators."

The President said to talk to Gore "because it would be embarrassing to get this thing on the Floor again and have allong debate. Mike, get our ducks in a row before we go up again."

On the Crime Control Bill, the President noted that McClellan is prepared to offer a substitute bill. The President said he has agreed to see McClellan at the White House to discuss this. "I'd rather have some compromise than no bill at all."

O'Brien said the Republicans have been having it both ways on the Crime issue. "Our people don't think we are attentive to the problem, and at the same time the Republicans are gutting the bill."

The President noted "in 1960, Eisenhower indicted only 19 people from organized crime and we've indicted 1,190 this year alone. One of the problems today is that they didn't do anything about it in those Republican years."

The President asked about the Inter American Development Bank.

Speaker McCormack said "the Southerners are very unhappy and they are going to try to send it back."

The President asked "will they succeed?"

The Speaker said "I'd be willing to make a bet on it - that they would."

Hale Boggs said "they will get every Republican and all Southern Democrats."

The President said "I figured they would screw it up since we have all the Latin Foreign Ministers coming in for lunch Friday and we had hoped to have a signing ceremony Friday."

Boggs said "someone should talk to Armistead Selden. He's very amenable on South America and if we invited him down for the ceremony and lunch, he might just get this thing out."

The President said he wants "all the appropriations bills just as soon as I can get them. We can not cut much until we get the appropriations bill."

The President said on the Asian Development Bank: "Fulbright said he would have a hearing, and he's for it. Eugene Black is anxious to testify. Dirksen is for it, and they're going to check with the Republicans. They would have trouble in the House."

Califano said State Department people informed him that Fulbright would schedule hearings Thursday.

The President replied "You get me the votes. Any fool can send something up, but how many of the 17 votes do we have? Easiest thing in the world is to send a bill up."

The President asked about the Gun Control Laws.

The Speaker said "Congressman Celler is meeting with Ramsey Clark today and will call in a group tomorrow."

Long returned to the Campaign Financing Bill saying "in party caucus we can pick up a vote or two that we didn't have. In any event the \$25 tax credit will pass. Also, Metcalf is working on plans which will give 100% for \$1 and 50% for \$50.

The breakfast group adjourned to the Indian Treaty room where a formal picture was made; first with the Leadership and the President and followed by a picture of Leadership, the President and the White House Liaison Staff.

The meeting adjourned at 9:35 a.m.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 16, 1967
2:45 p.m., Saturday

FOR THE RECORD

SUBJECT: Lunch with the AFL-CIO Executive Council on
September 15, 1967

The President's Introductory Remarks

The President welcomed the labor leaders and said that the support of the labor movement has sparked the success of the Administration's programs to bring a better life to every American. Men are at work today at the highest wages in history. Five million have joined the payrolls in the past three years. Our goal is to assure that every man has a decent job at a decent wage. There is much work ahead to fulfill this aim.

The President looked to the three great domestic problems: Crime, Housing, and Training for new skills and opportunities. He mentioned the insurance companies' pledge of \$1 billion to aid the construction of homes for poor families as an example of the needed involvement of the private sector.

The President hoped that "the labor movement will want to outdo the insurance companies and that the Pension and Welfare funds could be used to help support these vital programs for people." These will make good Pension Fund investments because the Government will try to transfer the land at little or no cost to local housing authorities, the housing authorities in turn would issue tax-exempt bonds, guaranteed by the Government, and homes under the Rent Supplement Program could be built for poor people.

He said that, "As long as I am President the door will always be open to you -- the labor leaders of America."

George Meany

To negotiate with the Viet Cong is like negotiating a collective bargaining agreement with an invisible employer. Every responsible citizen must be against withdrawal in Vietnam. That is not the answer. We are in Vietnam to honor a commitment which preceded President Johnson and which was later authorized by the Congress. He is following exactly the right course.

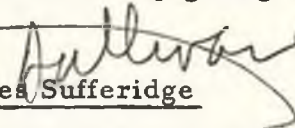
The President finds himself pressured in the Congress, and at times beleaguered by members of his own party, but no one can rightfully challenge the great record of the past four years.

Mr. Meany cited education and said that for the first time in history the Federal Government has assumed the responsibility for the education of the children. We are moving toward the great goal of providing all the education a child can assimilate, irrespective of his station in life.

The score is excellent -- Medicare, Social Security, and Minimum Wage are all landmarks to progress.

There are, of course, some measures the labor movement does not agree with. This is natural. The tax bill is one. The labor movement believes there should be a surtax -- but the loopholes which benefit the wealthy (capital gains, depletion, "sheltered real estate") should be plugged. The wealthy escape paying taxes they owe to society.

Mr. Meany said that he did, after all, have "one gripe". This involved the J. P. Stevens Company, a firm which prides itself in the violation of the laws and injury to the working man. In this day, J. P. Stevens stands as a symbol of the robber barons. Something must be done about a firm that continuously flouts the National Labor Relations Board and court orders. The answer is to stop-giving that firm Government contracts.


Mr. James Sufferidge

Mr. Sufferidge had been one of the election observers in Vietnam. He said that the press is doing a poor job of reporting, always playing up the dark and pessimistic side. The truth is that we are winning militarily, but this story is not being told. The failure of the press accounts for some of the disillusionment among the people.

The President

State and Local Lands for Housing Projects

The President asked the labor leaders to contact their city and state elected officials, the Mayors and the Governors, to see what city and state land might be made available for low-income housing projects. The Federal Government has set a good example, and this should be followed by the local governments. Our purpose, said the President is to make the "idle lands bloom with houses in our cities".

The Polls

While our polls are low, they were lower last year. When you pass programs for the people that strike at vested interests, you tend to lose some points in the ratings. The President cited the Civil Rights and Medicare programs as two examples.

Although the polls are low, our opponents' are much lower. The President cited his lead over Romney, Nixon and Reagan during the last two months.

Vietnam

The President used a series of small charts to show the improvement in the Vietnam situation. The first chart showed that the Allied Forces had gained much greater population control and that the Viet Cong grip on the country was shrinking. In answer to charges of "stalemate", the President pointed to the rapid rise in Viet Cong defection rates, the leveling-off (rather than the increase) of enemy forces, and the sharp dip in the desertion rate in the South Vietnamese army. This rate will come down even lower, as certain South Vietnamese generals are replaced.

The President said every day, each day, we are offering to negotiate with Ho Chi Minh. Our position is clear. We will stop the bombing if he will launch productive and meaningful discussions. We are not asking, as most people think, that stopping the infiltration is a condition of a bombing pause.

Vietnam (con't)

The real problem is that Ho Chi Minh will not surrender until he knows that he is losing the war and that our will to fight is sapped. Each time there are stories of dissent and discouragement among Americans about Vietnam, Ho Chi Minh believes that our will is weakening.

The President then talked about a letter he had received from a serviceman in Vietnam named Sanchez. The letter said, "Boss, you would be very proud of us. We went into battle holding our heads high, wearing the scarves of our wives and sweethearts."

On the selection of targets, the President said that there were no serious rifts with the Joint Chiefs of Staff, but that one must always expect disagreement on matters of military policy. The President, more than anything, wants to avoid the danger of bombing Soviet ships in North Vietnamese ports. He believes that such bombing could run very serious risks (remember the Maine and the Lusitania). He told one of our generals that a port could be bombed if there were no ships in the harbor. The general said, "No Soviet ships?" And the President replied, "In this particular case, no ships period," because it is not easy for an airman flying through anti-aircraft fire to tell whether a ship is Russian or not.

The World Scene

The President talked about the history of our country and the fact that every President -- Washington, Lincoln, Wilson, FDR, and Truman had their severe critics because the Nation was engaged in conflict. He said that each President had a Chairman of a Foreign Relations Committee who was antagonistic -- because this is the way the system works. The President said Senator Borah always seemed to have more information than Roosevelt.

Looking back over the last several years, the Communists have fared poorly. They have made no gains in this Hemisphere, the Mid-East, and in Africa. All of these were potential "lightning boxes" and yet the Communists have not succeeded.

The Democratic Party

The President said that the Democratic Party for the first time since 1936 was free of debt. At the beginning of October, there will be a meeting of key leaders to lay out a program to help elect Democratic members to the Congress and defeat Republicans. The President referred to the loss of more than 40 key votes in the House because good Democrats went down to defeat in the 1966 elections. We have to restore a solid majority in the Congress to help get our programs through.

Concluding Remarks

The President thanked each of the labor leaders for coming to the White House. He said, "your interest is our interest and that as long as I am in the White House men like George Meany are always free to come through my door."

Larry E. Levinson

~~SECRET~~

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19

FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: National Security Council Meeting in the Cabinet Room -
Wednesday, September 13, 1967

Meeting convened: 12:32 PM
President departed meeting 12:58 PM

Attending were: The Vice President, Secretary McNamara, Under Secretary Katzenbach, General J. P. McConnell, Leonard Marks, Ambassador Goldberg, Under Secretary Paul Nitze, CIA Director Dick Helms, Secretary Henry Fowler, Joe Sisco, Bromley Smith, Walt Rostow and George Christian.

The President opened the meeting calling on Under Secretary Katzenbach.

Katzenbach pointed out that Secretary Rusk will be going to the United Nations for the usual meetings of Foreign Ministers. He said these are very helpful and useful to have these bilateral discussions, although it is very wearing on Mr. Rusk. Katzenbach said that the Africans are better than they used to be. They held together well, and they are more realistic than they used to be. Katzenbach said the President's announcement of the U.N. Delegation with new and different people is very helpful politically both to the United Nations and to this Administration domestically. Katzenbach said that Joe Sisco briefed the NATO people on the Middle East and this was helpful, but he is not sure that they will stay considering the pressure the NATO countries are under. On Vietnam, Katzenbach said Goldberg has been having discussions with the U. N. delegates.

The President said he appreciated what Katzenbach said about the United Nations delegation. The President then called on Goldberg for discussion of the major issues facing the United Nations General Assembly.

Goldberg said there are about 100 items on the General Assembly agenda, many of these are repetitious. The principal issues listed by Goldberg were Middle East, Vietnam, non-proliferation, Chinese representation, oceanography and African problems.

DECLASSIFIED
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By: CR, NARA, Date: 1/16/24

Goldberg began with the Middle East saying that there are some signs of moderation in the Arab camp, and some signs of hardening in the Israeli camp. He said this presents a problem for us. Israel has serious internal problems and it is difficult for any Israeli spokesman to be "sweetly reasonable." Goldberg pointed out that Israel takes the President's statement of June 19 and uses those portions it likes and omits those portions it does not like. On the withdrawal issue, they have referred to the President's statement on June 19. Goldberg said he believes the United States has a sound policy. We don't charge the Israelis with aggression. Goldberg said it will be more difficult in the next session to hold the line against a resolution in line with our desire for peace in the Middle East. He said he believes Israel feels now that they would have been better to support the Latin proposal we supported which also included a withdrawal provision. They were with us tactically in getting the Latin Resolution voted, but they now say that was merely a tactical support, Goldberg said. Goldberg said the minimum conditions for a sensible peace in the Middle East is a commitment by the Arab states that they are not in a state of war with Israel. If the Arab states do this (and Goldberg pointed out that the Khartoum Conference did not say this) we may have to part with the Israelis on formulation.... Goldberg said the Israelis have not faced up to the demographic problem....

Goldberg then turned the discussion to Vietnam. He said he has not discussed this with all members of the Security Council. Our friends are timid and reluctant. They don't want to come along. They don't think the Security Council will reach a settlement. If they are solid in this belief, nothing could come out. He said Canada, Great Britain and the Danes have shown great diffidence. Russia says don't get into this. They said they would veto a straight resolution.

The President asked who feels we should go to the Security Council.

Goldberg said the general feeling is that we ought not to do it.

The President asked how many on the Council.

Goldberg replied 15. Goldberg pointed out that Argentina, Brazil and China are with us on going to the Council. Bulgaria is lukewarm, Denmark would rather not be involved, Ethiopia is a question mark, France is no, India is against us, Japan will go along but they are not enthusiastic, Mali is against us, Nigeria wants planes, and if we give them planes they will do whatever we ask. Russia is against us, United Kingdom is against, but will vote with us if pressured.

The President then summarized saying that actually there are only three for us.

Goldberg said he wanted to take exception to a statement made by Secretary Rusk that there will be a future time to go to the United Nations with this. Goldberg pointed out that this will be the last time we can manage the Security Council. He said that we could probably maneuver the Council if we put the maximum pressure, but that after January, this would not be possible, because we lose Japan for Pakistan, and Pakistan is no friend. We lose Mali. We lose Bulgaria for Hungary; Nigeria for Sehegal; Argentina for Paraguay. Goldberg also pointed out that Russia may be playing a waiting game. They may try to go before the new Security Council with a Resolution condemning our bombing.

The President asked what was thought of our going to the U.N. and getting defeated.

Goldberg said I don't think this would be considered a rebuff, although the press may say it is a rebuff.

The President asked can we close off....

Gold

Goldberg said no, if they were solid we would have nine votes, but they don't want to be involved.

The President asked what Goldberg's recommendation was.

Goldberg replied I would go recognizing the great dangers. We could not come out with anything that would hurt us. I don't think anything would come out at all. There would be some who would say this was a rebuff, but this would show to the Mansfields and that group that we at least tried.

Secretary McNamara said I'd be for going before the United Nations if there was any possibility that it would pass. But I don't think it will and they will say it was a rebuff because of our unreasonable and inhumane action in the bombing. On balance, that would be a loss in my judgement.

Goldberg said I don't agree.

Katzenbach said he agrees with McNamara. If we got Ethiopia in and got the nine votes to inscribe it, and the question was on unilateral cessation, I figure there would be five in favor, five against, and five abstaining. Probably Algeria and Ethiopia would abstain. That would put Canada and the United Kingdom really on the spot. I think a 5-5-5 situation would be no gain for us.

McNamara said he believes such results would feed the Mansfields et al with new fuel to tell us to stop the bombing.

The Vice President said it depends on what the issue is. If we are rebuffed, the reason may be phrased because we held our old position of quid pro quo. While I am anxious to have the United Nations have some involvement in this, I don't think we should do it if we don't have the votes.

Goldberg said one thing that has been overlooked is that we may not get to the resolution at all. Russia will not support a move to amend on the bombing. Hanoi has already said this and Russia has picked up this line. In my judgement the resolution would just flounder into a state of disagreement and we would get credit for having tried.

The President asked, is that a plus in relation to where we are now? I feel that Mansfield might think that would be a plus, the President said.

Katzenbach said Mansfield would regard those evils as we do.

The President said you should talk to Mansfield when he gets back from Japan.

Goldberg then began discussing the non-proliferation treaty. Saying the likely situation will be that the ENDC will suspend its deliberations soon and the discussion of the non-proliferation treaty in the assembly will be in circumstances which there is no agreement on Article III. Our objective should be in concert with the USSR to maintain the present non-proliferation treaty intact to try to assure certain of the non-aligned of our willingness to consider the assurances problem within the context of the U.N. resolution. Our aim should be to have the matter returned to the ENDC so that further attention can be given to Article III and consultations can be undertaken within the ENDC to see whether the assurances problem can be taken care of in the form of the U.N. resolution.

The President departed the meeting at 12:58 PM, and turned the remainder of the meeting over to the Vice President.

MEMORANDUM

10
THE WHITE HOUSE
WASHINGTON

September 13, 1967
3:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: George Christian *gc*

Here are the final minutes of the meeting with the observers.
We discussed at the Tuesday luncheon the desirability of
making the minutes available to Cabinet members.

☒ Yes

☐ No

*Pass out
at next
Cabinet
meeting
✓*

25a

MEETING WITH VIETNAM ELECTIONS OBSERVERS
WITH THE PRESIDENT

Wednesday, September 6, 1967
11:09 a.m. - 12:05 p.m.

The President thanked the observers for their service and expressed his pleasure that they had returned safely. He said he would welcome comments from each, if they wished to offer comments.

Governor Richard Hughes of New Jersey said he'd gone with an open mind, was convinced there had been clean elections, with unimpeachable local formal election safeguards. He said the enthusiasm he found among 200 election board officials, peasants, village chiefs and others was great -- "greater than in Jersey City," he noted. He said the people showed a sense of nationality and pride, and that he was very enthusiastic about the Vietnam people and our military leaders there.

Senator Bourke Hickenlooper said "I agree completely with Governor Hughes. All of us observed the preparations for the elections, and we observed the voting, and the counting of ballots. I must echo Governor Hughes that the elections were fair. I was very impressed with the effort made to make this an open and fair election. We have never been that careful here."

Mayor Joseph Barr of Pittsburgh said he was greatly impressed, that he learned a lot about elections from the Vietnamese people, and was also much impressed by our troops there.

Governor William Guy of North Dakota said he felt too much attention had been placed on the possibility of irregularities "and not enough on the really significant thing - that these people, with great courage, came out to vote, and gave as moving and as profound an example of the desire for self-determination that you could find anywhere." He said he'd visited one precinct where a bomb had killed three persons and wounded six, whereupon the polling place was closed for 45 minutes and then reopened for more voting. He observed that the final vote -- 35% for the winning candidate and 65% for opponents -- testified to the lack of irregularities.

Governor Thomas McCall of Idaho said the observers had considered 21 standards for fair elections, and found the Vietnamese "rating favorably with any state in our country."

Mayor Theodore McKeldin of Baltimore said he'd travelled widely on

election day, visiting 12 polling places in the south before going to Da Nang and Saigon. He said he saw one minor irregularity -- three voting tickets in one envelope -- but otherwise found "splendid, intelligent people there." He said he thought 35 % for the winning candidate was "a terrific vote -- if they'd wanted to rig the election, they'd have gotten 51%."

Reverend Edward L. R. Elson of National Presbyterian church, Washington, said he found the election "a great start toward nationhood." He said he was impressed with the plans made in Saigon and the execution in the provinces, calling the effort "a noble political exercise for self-enhancement and self-determination." He said he was much impressed with chaplains and troops, and said he visited men in hospitals "who know what it's all about better than the people back home."

Archbishop Robert Lucey of San Antonio praised "the so-called second war, for revolutionary development." He said "We saw consecrated and devoted men and women way out in the hamlets teaching people to practice democracy. I think the press has a wonderful chance to bring that out. And second, the press has the opportunity, once and for all, to kill the idea that there is a stalemate in the military situation. There hasn't been any for a long time. There ought to be a way to stop statements from prominent citizens talking through their hats -- and their birettas. They should be better informed. It would be a fine thing for some of those talking about the war to go over there and see it. They tell (the President) to negotiate now, but they don't say how to do it. That doesn't make any sense at all." He praised our troops, said it was too bad they were called murderers, and added "those statements should be stopped -- and the press will have to help, for this is no time to lie about the USA."

Rabbi Jacob P. Rudin of Great Neck, L.I., president of the Synagogue Council of America, agreed with the previous speakers. He said "it was a great experience to watch the old, young, men, women, nuns and soldiers perform the serious obligation of voting." He said he sometimes noted callousness about voting in this country, but saw none of that attitude in Vietnam. He praised the American officials and troops, as well as the freedom of movement available to the observers.

Whitney Young of the Urban league said he'd left with some criticism and skepticism, but returned completely satisfied that the elections were free. There were problems in the number of candidates, illiteracy of the people and the pressures of war, but all these were well met, he said. He suggested the United States might well copy voting for 18 year olds and government funds for campaign expenses.

Young said his talks with American Negro soldiers convinced him that they are determined, are indifferent to communist propaganda aimed at them, but are perplexed by domestic riots that destroy their homes.

He said they are also concerned about a Congress that seems to react to the few Negro extremists to block programs that Negro soldiers and their families need.

William P. Gullander, of the National Association of Manufacturers, praised the enthusiasm of the Vietnamese people for the elections, and said he was certain that "this was an election of integrity." He praised our military, saying "its top management is really tops," and that he'd be pleased to serve under every general he met. He said on the question of whether we belong in Vietnam, "when I went I believed that we belonged there because we had a selfish interest, but I am just soft-hearted enough so that I also believe that these are beautiful, wonderful people, and we cannot let them down."

Professor Donald Herzberg, Director of the Eagleton Institute of Politics at Rutgers university and author of "The Right to Vote" (one of the experts assisting the observer group) said it might have been that there were some election irregularities, as might be expected with five million people voting, but that the election plan made serious fraud impossible.

Eldon James, Hampton, Virginia, past National Commander of the American Legion, said his strongest impressions were the feeling of warmth among the people, their desire to be a part of their own government, and their pride in going to the polls.

John Knight, of the Knight Newspapers, reminded the President of some personal doubts before departure, and asked for a private talk later. He praised Ambassador Bunker as "the right man" and said "the military staff was top-flight." He said he saw no election irregularities and that the "size of the vote would indicate there was no concerted effort to build up the margin."

Speaking of the future, he told the President "you have some problems. It all depends on the government that was elected. I don't think we should overlook the votes that went to Dzu. I think pacification is going to be a long and arduous job." He cited some restrictions on freedom of the press, and added that he had sought out the suspended editors and candidates who were not permitted to run. Knight observed "I heard them out fully and found them fervent and intense, but I had a feeling I would not want them running my country."

Senator Ed Muskie of Maine said he'd anticipated pressure on voters, and had tried to sense it at polling places, but found none. He said "the people

came in freely, and they voted freely. I was impressed." He said he still had questions whether Thieu and Ky could unify the country "because they are schooled in in the authoritarian tradition."

James Antell of Burlington, Vermont, President of the U. S. Junior Chamber of Commerce, said he felt there had been a free and full election. He was impressed that ballot symbols helped illiterates know how to mark their ballots. He was impressed that a very glib man from Saigon tried to vote in Hue but had been turned away by firm election officials.

Ed Monroe of Seattle, Washington, President of the National Association of Counties, said he was impressed by the devotion of American diplomatic and military forces to principles of democracy, which he felt served as an example to Vietnamese.

Eugene Patterson, of the Atlanta Constitution, said he considered the election organization good and the count fair, though he thought there were too many candidates for an unsophisticated electorate. He said he repeatedly asked voters and poll watchers about their complaints, but heard none. He cited two factors that reassured him about the honesty: one was the margin of the winners, the second was that early returns by radio from the provinces proved correct when officially tabulated.

Patterson said he'd met a Vietnamese major whose hamlets had been flooded with warnings "you vote - you die." The major had told the same people "you vote - you live," and they had voted.

Joseph Scerra, National Commander of the Veterans of Foreign Wars, called it a "show-case election." He cited two victories: "one was that they had an election, and the other that when our military was placed under a curfew to avoid incidents, the security for the entire election was provided by the Vietnamese people."

David Sullivan, Vice President of the AFL-CIO and President of the Building Service Employees Union, read a statement he had issued in Saigon praising the will and spirit of the Vietnamese people and the positive role played by unions there.

Stanford Smith, General Manager of the American Newspaper Publishers Association, said he'd had some misgivings before going to Vietnam, but came home convinced "this was a free and fair election -- it was wise for us to go."

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The President praised the help given the observer effort by Henry Cabot Lodge, saying to the Ambassador "This was one of your proudest moments."

Ambassador Lodge responded by praising the energy and good-will of the observer group.

Mayor McKeldin interjected "And we weren't brain-washed, either."

#

FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: Off the record meeting with Members of Congress to discuss
the proposed Asian Bank legislation - held in the Cabinet Room.

DATE: Tuesday, September 12, 1967

Meeting convened: 6:42 PM

Meeting adjourned: 7:52 PM

The President opened the meeting to say this proposal would put the Asian bank on the same footing as the Inter-American Development Bank and the World Bank. He said that Eugene Black recommends that we send a message to the Congress to get the supplementary funds for the Asian Bank. The President then introduced Eugene Black.

Black explained the proposal saying this is a special fund of about \$400 million which would go to the Asian Bank. The United States' share would be \$200 million or 50%. Black said there were several conditions: a.) \$200 million would be strictly tied money and there would be no balance of payments problems; b.) This would be paid out in four years and there would be no appropriation until next year and maybe not until fiscal year of '69; c.) The United States' money is slightly less than 1/2 of the total and the other governments would provide 1/2. Black pointed out that the Japanese have already contributed \$100 million and Canada \$25 million. Black said that if all of the governments do not raise \$400 million, then the United States share will be reduced to 1/2 the total raised. Black noted that the money will be used primarily for agriculture, transportation, communications, and development of the Mekong River. He said that we would stress regional projects.

Black noted that the Asian Bank was formed about a year ago. This was the first example of regional cooperation in that part of the world. He said he has spent a lot of time making sure that this is a sound bank, and noted that they have more than come up to my hopes. A Japanese is President of the bank, and he has a good organization. The original capital of the bank was \$1 billion. The United States share was \$200 million of that original capital, and he said that he has never heard of the United States share being only 20% in any international organization. I think this is the kind of thing that will be very conducive to peace in that part of the world.

DECLASSIFIED
Authority NCL 80-24
By CTS, NARA, Date 11/16/24

Under Secretary Nick Katzenbach pointed out the political significance of the proposal, noting that when the President proposed the bank about two years ago, this was the first step in creating regionalism and cooperation and it also created Asian initiatives.

The President pointed out that he has not made any formal request of the Congress, and he first wants to get their comments.

Black said this would be bait to bring in other countries. He noted that this type of program is better than making foreign aid grants.

Senator Tom Kuchel asked why we contributed only 20% of the billion dollar capital investment and 50% of this supplementary fund.

Black said that this proposal is tied to U.S. purchases. The other is capital expenditure.

Senator Clifford Case asked how would this be governed, i. e. would each program be run by the separate groups of countries, or who would pass on each project and program.

Black said that the projects would be submitted to the President of the Bank and then submitted to the Board of Directors. We have a representative on the Board of Directors and the United States plus the other free world contributors make up a majority to control the board.

Case then asked if our contribution can only be used for purchases in the United States.

Black replied yes.

Senator Wallace Bennett asked will this change the design of the Mekong development.

Black said that it would not, that there have been several good projects developed in the past nine years by the study of the Mekong Committee. This would implement some of those good projects which have been recommended.

Bennett asked "but do we have a backlog of projects? "

Black replied yes.

Senator John Sherman Cooper asked if Japan will let considerable amounts of this money be spent in Southeast Asia.

Black replied yes.

Congressman Clement Zablocki asked if other countries will have their contributions tied to purchases in their own country.

Black replied that if we put that condition on; the others will also. Black said he does not favor tied money but this must be done because of the balance of payments problem.

Congressman Henry Reuss asked "when do we start work on this?"

The President said the purpose of the meeting is to see if you think this is good.

Senator George Aiken queried further about how the U. S. money would be spent in the local country.

Black replied that this money will be used for the 1/2 of external purchases, i. e. equipment. These would be soft loans principally.

Senator Frank Carlson said "having seen the Mekong Valley, \$50 million would be just a drop in the bucket and where do we go from here? "

Black agreed that this is a conservative and reasonable approach. These things take time. He pointed out that when a project is approved, it takes three or four years before the heavy funding is required.

Congressman Seymour Halpern asked how many nations are participating in the bank.

Black said 19 Asian countries and 12 non-Asian. He said that the only major European powers not participating are Russia and France, both of which were asked and both of which declined.

Black said even Switzerland has joined the bank, and to his knowledge this is the first international organization the neutral Swiss have joined.

Senator Fulbright said he agrees with the merits of the bank, and he supported it. I think that this is a good proposal. The only question I have is that with the war and the mood of the Congress, is this the proper time to bring this before the Congress. This is purely a matter of timing. It's late in the session. Personally I will support it. I approve of the regional approach.

Senator John Sparkman said he endorses the idea and agrees with Black.

Congressman Peter Frelinghuysen asked would it require the full \$200 million authorization this year.

The President said yes, because this will be used as bait in order to get other countries to contribute. The President said if this authorization is approved, then our people could go to other countries and be in a stronger position to get them to contribute significantly to the Asian Bank.

Congressman Frelinghuysen said he did not know how Congress would react to the request for a full authorization.

The President said this involves an authorization up to \$200 million providing that other countries also participate to the maximum. No money would be in this year's budget for it.

Senator Everett Dirksen then inquired about what this would do to adjournment. Would this keep Congress in session until Christmas.

The President said he did not know how long it will take. I would hope that this would not interfere with what we already have up there. Most of the measures have moved rather well, the President said.

Senator Case asked if this would forestall grants to other countries like Indonesia.

The President said that anything we can do that enlists the aid of other nations should be done. He said he pleads with the Germans and others to participate in this.

Congressman Bill Moorhead asked if Indonesia is a member of the Asian Bank.

Black replied yes.

Congressman Seymour Halpern asked if Black wanted this authorization before the next Asian Bank meeting, which Halpern thought was in January.

Black said yes he did want it.

Congressman Lud Ashley asked what would be the disadvantage of waiting until January to send this to the Congress.

Black said this would be very discouraging to the other Asian countries who have already done all that we have asked of them.

Ashley asked would it be of any value for the President to send a message up now and have no action on it until January.

Black said that it would be of value for the President to send up a message at this time, but he thinks it should also be acted on.

Fulbright said that with the tax bill he does not know if this is the time to request action on the proposal.

Senator Cooper said the merits of the proposal speak for themselves, and I support it. I think it would be a good thing if it could be done.

Senator Wallace Bennett said he is glad to see us moving in that direction and he supports it.

Senator Russell Long said we can consider it and vote on it if the President wants it done. It all depends upon what priority the President is willing to put on it.

Congressman Silvio Conte said I think we should send a message up and not expect action until January. If we do, the House would beat it. In January there will be a different mood, and the chances would be better. I'm for it now or later, and I will speak for it, Conte said.

Congressman Les Arends asked if there had been any additional sampling of Members of Congress.

Black said he had spoken to about a dozen of them.

Congressman William Widnall said he is all for it. I think the message should come down from the President and serious consideration should be given to Committee action. Also serious consideration should be given to delaying Floor action until January.

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September 11, 1967
8:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: JIM JONES

SUBJECT: Meeting on Asian Bank Legislation in the President's
Office, Monday, September 11, 1967.

Meeting convened: 7:10 P.M.
Meeting adjourned: 7:20 P.M.

Attending the meeting were:

Under Secretary Nicholas Katzenbach
AID Administrator Bill Gaud
Under Secretary of Treasury Joe Barr
Eugene Black
Ambassador Zagorian
Walt Rostow
Joe Califano
Ed Hamilton

Secretary Katzenbach opened the meeting by saying it is expected by most Members of Congress that we send up the Asian Bank legislation. "It will be difficult to explain why we did not send it up to other Asian countries," Katzenbach said. Katzenbach pointed out that Japan has already committed 100 million dollars and Canada has committed 25 million dollars. Katzenbach said that we don't necessarily expect you to get the authorization for the full 200 million, but Katzenbach said he could not see the arguments against sending up the legislation. By sending it up, Katzenbach pointed out, "you have met your obligation." Katzenbach opined that basically this is popular with Congress but he emphasized that it is important that the President do what he said he would do. Katzenbach further cautioned that we should not move this legislation out of Committee or onto the Floor until we know we've got the vote. As far as the budget is concerned, Katzenbach said nothing should be obligated before FY 69.

The President asked who else is going in on this and what would be the U.S. participation.

MORE

Eugene Black said that our participation would not exceed 200 million dollars or 50% of the 400 million.

Joe Barr said that since Japan has come in with their 100 million dollars most of his objections have been removed. He agrees with Katzenbach that we probably would not get the 200 million dollars. He suggests that we might go forward with matching of the Japanese proposal of 100 million dollars because Barr believes that is where we will end up. Barr said we usually get what we send up on these matters. He pointed out that we've only been defeated once and that was on IDA which was restored on the Floor. Barr summarized that we would probably get a 100 million out of Congress, but 200 million would be too big.

Katzenbach countered by saying that other governments will understand if the Congress cuts the President's request, but they will not understand if the President doesn't send it up. Also, Katzenbach believes that the full 200 million authorization request should be sent up instead of merely 100 million.

Eugene Black said "If you go to Congress with 100 million dollars that's as bad as not going up at all." He also said he's sure that we'll get thrown back if we send up the 200 million authorization.

The President asked whether the Germans or English were participating.

Eugene Black said they had not been asked yet.

The President said that both had committed funds of about 40 or 50 million dollars.

Katzenbach said that that was for the capital investment. This is a supplementary, soft loan special fund Katzenbach said.

Bill Gaud said he agreed with Katzenbach and Black and he also told the President that sending up this request would not hurt the AID Bill.

The President said he wanted to do this all along, and he'll perform his part but he asked that a message be drawn up and the other Members of Congress be canvassed.

Katzenbach said he did not think that the President should make a special deal or effort out of this with the Congressional leadership until Katzenbach sees clearer what it looks like on the Hill. He said he thought Mansfield would be hot for this.

MORE

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The President closed the meeting by asking that I remind him to talk to Senator Dirksen about this.

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2

NOTES OF THE LUNCHEON OF THE PRESIDENT
WITH BUSINESS LEADERS

In the Mansion
September 1, 1967
1:40 p.m.

The President told the group that the country now faces some great problems, including Vietnam "and a good many others which are fringe benefits that flow from Vietnam."

On Vietnam, the President said the question was out to achieve maximum effort for minimum cost.

He said there is a revolution in the cities, where 80% of the people live. We have undertaken a good many reforms, such as an increase from \$8 billion to \$25 billion in federal spending for both health and education during the past 3 1/2 years. Still, he said, there are numerous problems in the cities.

Despite all of this, "we have had a good many nice things happening to us lately." He noted the German troop situation, and pointed out that the poll in Germany showed 72% favored closer relations with the U. S., compared with 40% in April. He said the Glassboro Conference and the tabling of the NPT agreement were also significant developments.

The President commended Secretary Fowler for the international monetary agreement, referring to it as "the best news since Bretton Woods."

On cities, the President said he is trying to take federal properties and lease them or give them to housing authorities, so that they can issue tax-exempt bonds and try to build private housing rapidly. He said the rent supplement program would also help, pointing out that this was a proposal of the U. S. Chamber of Commerce in 1937. Model cities was also cited as a step toward improvement of urban areas.

"We now have pending \$7 billion in city programs. This gives a little time until we can rebuild our cities."

Harding Lawrence of Braniff commented that the President's friends wanted him to be positive in his progressive programs, and wanted to help.

At the request of Mr. Wilson, Secretary Fowler explained the need for the monetary agreement just concluded. The Secretary said that all of us trade and buy as individuals if we have reserves in the bank to call on. Nations find that money supply is important to a steady growth of

goods and services. If nations fall into a balance of payments deficit, they must pay the bills out of reserves. Today there are reserves equal to five months of world trade. The availability of an increasing quantity of gold reserves is basic protection from events such as occurred in 1930. Fowler said the efforts for a monetary agreement began in the summer of 1965.

Mr. Gilbert asked the President what the position of the U. S. would be after the Vietnam elections.

The President said there would be no change in the U. S. policy, that it is still basically the determination to prevent the Communists from taking over that part of the world, and living up to the SEATO treaty. He discussed the program of the war, pointing out the charts show a gradual increase in population under government control, and other evidence that there is no stalemate.

Jay Wells questioned the President about Senator Clark's add-on to the Poverty Bill. The President agreed with Wells that it did make the bill more difficult to pass, and instead that the poverty program had been increased substantially in the last two Congresses.

Lester Avnet said that the President takes a lot of criticism, but many people have a deep appreciation for his accomplishments in foreign policy. He pointed out the Israeli situation, and the rescue of Indonesia from Communist take-over.

Arthur Krim requested information on the tax bill and the economy. The President explained that he thought it wise to pass a tax bill rather than try to borrow \$29 billion. On the economy, he said his economic advisors are fairly optimistic, and he hopes they are right. He said he did not feel as confident as many people are.

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Business Leaders who attended the Luncheon at the
White House

September 1
1967

1:00 p.m.

Dwayne O. Andreas
Lester Avnet
Charles Bassine
John R. Beckett
Fred Bohen
Honorable Alan S. Boyd
Donald C. Burnham
Attorney General Ramsey Clark
Arthur Cohen
Nathan Cummings
Robert Dowling
Honorable Henry H. Fowler
Milton Gilbert
Harry Gould
John Harper
William B. Johnson
Arthur Krim
Harding Lawrence
Francis Levien
Irwin Miller
W. B. Murphy
Meshulam Riklis
Lyle C. Roll
John M. Seabrook
Herbert Singer
George A. Spater
Honorable Frank Stanton
Alfred Strelsin
Charles Tillinghast
Honorable Alexander B. Trowbridge
Jay Wells
Joseph Wilson

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August 19, 1967
12:30 am

TO: THE PRESIDENT

FROM: Jim Jones

SUBJECT: Meeting with Secretaries Rusk and McNamara, General
Earl Wheeler, and Walt Rostow.
Place: Cabinet Room
Date: Friday, August 18, 1967
Meeting convened: 8:35 p.m.
Meeting adjourned: 9:55 p.m.

DECLASSIFIED
Authority FRUS Vol. V, #287
By CTS NARA, Date 1/16/24

General Wheeler opened the meeting by showing the President a map of 10 targets. Three of them are proposed for a strike next week. Wheeler said information from the Navy is that the Oriskany will be on station tonight. He said Air Force will hit Hanoi thermal power plant tonight. TOT planned time is 1900 tomorrow or 7 p.m. Washington time. If the weather is good, these will go. That will leave three other targets.

McNamara said there are 7 targets authorized and he believes there is a good chance of doing that in the next 5 days.

The President asked how many targets had been approved to get behind us before September.

McNamara said 7 have been approved and he is asking for 3 additional (shown on the map) to be included as a package and thinks there is a good chance of getting them all out of the way by the 24th. McNamara pointed out 3 targets, including target 62 and 59 (depot).

The President asked if target 59 was in a populated area.

McNamara said 59 is a good target but close to a populated area, and that the other 2 were no problem.

Secretary Rusk asked if we have hit 59 before.

McNamara said no.

The President said we hit target 62 before - yes.

General Wheeler showed target 59 location at the northern edge of Hanoi. He calculates 30 civilian casualties.

McNamara said this is a high estimate compared to 5, 10 or 15 casualty estimates on other targets. He said this also shows the target is more critical. He said this is a large depot.

General Wheeler said it is not necessary to approve this target tonight.

The President said he should go ahead and approve it. "If we send a McNamara to talk to Ho Chi Minh, we don't want to approve it after he gets there."

Wheeler said the weather forecast is the best in 3 days. The cloud coverage is dissipating.

The President interrupted to ask how many strikes were made in one night.

General Wheeler said 2 or 3, sometimes 4. He said the Hanoi thermal power plant is based on a one strike basis.

Walt Rostow said this strike is not like a bridge, but it's like hitting a steel yard.

McNamara recommended against approving this target tonight (59-depot). He said the target is too complicated, and it is in a populated area.

Rusk and McNamara agreed that the other two targets were okay.

The President asked how many more targets were in the Hanoi area.

Wheeler said about 10. Some of these he will want to think about because they are in highly populated areas. Wheeler said he'll prune the list of 12 targets in Haiphong area to 10. Wheeler recommended that the President approve 2 targets tonight and consider the other next week.

McNamara agreed delaying the decision on target 59 saying it's not that important as a supply depot and that it will be there, and the strike could come around September 5 or 6.

Wheeler told the President he would come in about Tuesday of next week asking that two other targets be hit - Phuc Yen Airfield and Cat Bi in the Haiphong area. Wheeler said he would justify them by Tuesday. He said Phuc Yen is a military airfield and has nothing to do with ICC or with international travelers using the airfield.

The President asked when should we finish up on the targets.

McNamara replied he and Rusk had minor differences in that Rusk thought it should be 24 to 4th and McNamara 25 to 5th. McNamara said however he had no problem accepting Rusk's idea. Rusk said "these fellows will get there on the 25th and it's not good to hit them when they get there."

The President commented that Congress will be recessing about that time.

McNamara said he testifies on the 25th.

The President said they approved all but target 59.

Rusk said we can tell them -- don't expect dramatic events on the 24th.

Rusk said a few days ago he felt there was one chance in 100 - but today he feels there is one chance in 50 that out of this may come secret contacts. McNamara replied he felt there was one chance in 10 for such results.

Rusk commented that through a Norwegian source, we learned that the North Vietnamese Ambassador to Peking said that any negotiations that would fail would be a disaster.

The President again asked why should we cut out the big ordnance plant - is it used for supplies?

Wheeler said the North Vietnamese are having trouble with supplies. But he said the ordnance plant is not important to the distribution of ammunition. He said this is mostly for rehabilitation of weapons, according to his intelligence, and for the storage of supplies for trucks and weapons.

McNamara summarized the reasons for not striking the depot: a) it is in a highly concentrated population area; b) it is not that important; c) it can't be done in one strike.

The President asked what North Vietnam is short of - petroleum?

Wheeler said food. Wheeler said we have destroyed the major storage areas of petroleum, and that we have put a strain on the distribution of it, but it's carried in small tanks - 600 metric tons - partly buried.

The President asked what is the answer to the stalemate issue. Wheeler responded there is no stalemate. The President said that's not a good enough answer. He said McNamara gets ridiculed when he says it. The President said he answered it today by saying it was pure Communist propaganda. The President suggested we should have some colorful general like McArthur with his shirt neck open to go in there and say this is pure propaganda and cite them General Larson's figures.

Wheeler said Larson's report cited dramatic improvements.

The President commented that Larson's report was three pages. This was boiled down to the point where finally he had five things that took one minute to say. The President also directed Walt Rostow to assign someone to digest and sanitize Westmoreland's weekly report.

The President said to get a colorful general to go to Saigon and argue with them (the press). He said we've got to do something dramatic.

Wheeler said he read Larson's report. He cabled it to Westmoreland and asked for a report along the same lines from the I, III and IV Corps areas.

The President sent J. Jones to get copies of the condensed Larson report for each person present. He read from the report concerning progress in II Corps area. He pointed out that two years ago there were no important roads open, today 90% are. Two years ago almost no operating railroads, today 53% are. The North Vietnam army lost about 7,000 killed in action to about 800 Americans killed in the last two years. The South Korean division has contributed magnificently. In Phu Yen Province, Vietcong controlled 75% of the rice growing land and about 80% of the population in 1965. Now the Province is almost completely under the control of the South Vietnam government.

The President said he used this information and other material in the last few days meetings with many newspaper people, bureau chiefs, columnists, magazine writers and broadcast men. He said he gave backgrounders to them all. He said they all practically surrender. Kilpatrick (Washington Post) has a son about ready to go to Vietnam. The President said he cites these reports, some of which are so optimistic that he believes Komer must be writing them. But the President said today we have no songs, no parades, no bond drives, etc. and he said we can't win the war otherwise.

The President said he may have brought on trouble today when he said in his press conference that Congress could take away his Tonkin Gulf Resolution. He said Fulbright was quoted tonight saying he didn't think that would be practical.

Rusk said that Senator Hugh Scott, who has been helpful, suggested that a group of moderates be brought down to the White House for a pep talk.

The President said you can't trust them. He said he met with 48 House Republican freshmen and took all their questions from Vietnam, to elections to a question from Mrs. Heckler about Brad Morse's proposal. He said they applauded the President twice. He said tonight that they are all out telling what he said. The President relayed that he told the Republican freshmen that in war, politics stops at the water's edge. He said he supported President Eisenhower while Majority Leader 79% on foreign policy, even when the Republican Senate leader refused to help his President. He said he didn't expect these Freshmen Republicans to vote 79% for their President (Johnson) but he did expect them to do so for their country.

The President said he also told Dirksen today. Dirksen had told the President he is worried by a great volume of mail he's getting saying someone in Washington is putting the reins on the military commanders and that the war could be won if the military wasn't held back.

The President asked when the bad weather sets in - around the 15th of September?

Wheeler said it starts to flip about the middle of September. From September 15 to October 15 the weather is bad. It stays mostly bad until early or late April.

The President asked if we get out of North Vietnam at that time and where do we put our planes.

Wheeler suggested that the operational commanders be allowed to permit planes to fly north of North Vietnam when the weather is good during this bad season. He also said that flying weather during this time is relatively good in Laos even though weather is bad in North Vietnam. Wheeler said we should apply pressure when we can in North Vietnam during this bad season, especially in the Haiphong-Hanoi area. But Wheeler says we should not set a number of sorties per week

during this time.

Rusk commented that "it rains like hell during this period but between times there is some good weather."

Wheeler suggested that during the bad weather period, we have a high level of sorties in Laos and a low level number of sorties in North Vietnam.

McNamara said we have 2600 to 3000 sorties more or an increase in the last six months of about 600% in the Haiphong-Hanoi area.

Wheeler said we've put a heavy stress on their supply and distribution system. Pilots now report that they go into a defended area with a highway of flack one day and go back the next day and there is almost nothing.

Rusk said, "I'm convinced our bombing program has paid considerable dividends."

Wheeler cited a Navy research paper showing length of time for movement into the south from the Hanoi area for three periods - 1965, early 1966, and late 1966. There is a dramatic increase in the time it takes for this movement. The President asked how Wheeler fared before the Senate Committee and how many were present for the hearing.

Wheeler replied he got a friendly reception. There were seven members there. He started listing Senators Stennis, Symington, Cannon, Margaret Smith, Thurmond and Jack Miller. Wheeler said the committee counsel is Kirbow (Charles) whom Wheeler described as not very good. Wheeler said Stennis likes Kirbow however. Wheeler said Kirbow's work was not thorough and this showed up in the questioning.

Wheeler said he and General Momyer had hoped to do some educating of the members.

McNamara said Wheeler "did a helluva good job." He told them that bombing in the north is not a substitute, but a supplement for the activity in the south. McNamara said "Symington's thesis is that if you bomb hell out of the north you can forget the south." McNamara said he and Wheeler cannot support this.

Wheeler acknowledged that Symington was the roughest questioner at the hearing. Wheeler said Momyer could not support Symington's bombing thesis either. McNamara agreed and said Momyer was excellent at the hearing too.

McNamara said the Senate Committee was trying to prove: 1) we can win it by air and Naval power in the north; 2) there is a gap between the Chairman of the Joint Chiefs and the Defense Secretary or between the Chairman of the Joint Chiefs and the President. McNamara acknowledged that "sure there are small differences but these are worked out." McNamara said the proof of what a good job Wheeler did was that there were no stories even though they were out to get stories.

Wheeler said "Symington is on Phuc Yen like a broken record."

McNamara said there are a total of 27 Migs in North Vietnam. These Migs aren't shooting down our planes. Why risk lives of American pilots over these?

The President asked when would we get our additional 45,000 men in there - in October?

Wheeler answered that a brigade of about 5,000 would be there in October. There will be an additional division around the first of the year, about February, 1968. The rest Westmoreland will get from in-country, etc. and everything should be there by the first of July.

McNamara said Westmoreland will get the 19 battalions by about the first of March.

The President asked when Vietnam will put in their 65,000 additional troops.

Wheeler said probably not until after the elections.

Rusk pointed out that they were freezing some in the ranks now, however.

The President asked if the election is cooling off a bit.

Rusk replied that Leonard Marks received a report from his man in Vietnam - Zorthien - which said there has been a real change in the civilian candidates exploiting the press.

The President suggested that some speeches be worked up to show how the Saigon politicians made dummies of the press corps there and how the politicians were leading the press around by the nose. President said Resnick might make this speech. The President directed Rostow to get up some speeches. The President told J. Jones if Rostow couldn't get this done to have Ben Wattenberg write up a speech.

The President inquired about the observers in Vietnam.

Rusk replied that Bunker cabled for fewer than 25.

The President said to get a good group ready. He suggested 3 governors, 3 mayors, 3 veterans 3 newspaper people, 3 radio-tv, 3 from labor. The President recommended the Chairmen of the Armed Forces and Foreign Relations Committees of both Houses to be invited. He said Fulbright won't go any farther than Hawaii.

Rusk added it's not safe for Fulbright to go farther than Hawaii because nobody in Asia wants to see Fulbright.

McNamara suggested three from League of Women Voters go. McNamara also recommended Archbishop Lucey of Texas. He said Lucey is terrific on Vietnam.

The President said Republican Governor Rhodes of Ohio is ready to go. President suggested Arthur Fleming, Archbishop Lucey and Billy Graham go.

Wheeler asked if the Secretaries of State and Defense should go.

The President said he didn't want Rusk or McNamara ever to go again. He didn't want any official "above the rank of first lieutenant" to go there because "I just catch hell for two weeks before they go and then after they come back."

The President said he counted 15 crises in the last two months. He ticked some off -- Westmoreland and troops, McNamara, railroad strike, Middle East flareup, riots.

The President said Romney got the jump on us on the riots. Because of this, Romney's popularity goes up and the President's goes down. He said Romney took that one away from us. It was Romney's riot in Romney's state and Romney couldn't handle it even though he preaches local action. It will catch up with him, but Romney stayed with the press while Cy Vance and General Throckmorton did their job.

Wheeler says he counts the war in Vietnam as having gone on for 2 years. He counts the start of the ground war in October 1965.

The President asked how many in South Vietnam - 12-15 million?

Wheeler said about 15 million and replied that the Vietcong are about 4 million.

The President wondered aloud, "it seems like with all of the South Vietnamese and all the American troops, we could whip 'em."

The President asked if the ICC will find anything in Cambodia.

"No" Wheeler replied, "it will be a whitewash."

The President asked when will the targets in Vietnam be cleared.

"Never," said Wheeler.

McNamara said "It's movement -- about 90% are against moving targets."

The President commented on the picture in today's New York Times showing about 20 North Vietnamese troops in water re-building a bridge. He suggested this picture be blown up along with another picture of North Vietnamese troops shooting American soldiers. He said the two pictures can be shown to Congressional committees and you can ask, "do you want their boys doing this (repairing bridges) or shooting your men." (This is in answer to bombing critics.)

McNamara pointed to the map and said that much of the five divisions (North Vietnamese) have moved north of the DMZ -- sometimes as much as 100 miles north.

Wheeler said this is because they have suffered heavy casualties in the DMZ and they are probably short of supplies. He said the drought has hurt them. They probably have moved north for re-training and re-supply.

Rusk advised that Russia may say in the future that the United States always justified its bombing of the north in order to save the lives of American troops at the DMZ who were facing the North Vietnamese divisions. Rusk said Russia may say that we knew those divisions had moved, but yet we continued to bomb.

Wheeler said whole regiments had pulled back. He said that south of the DMZ today, there are not more than 10 or 12,000 North Vietnamese troops. These are mostly for reconnaissance or holding the line.

The President asked if their (North Vietnam) casualties amounted to 100,000.

Rusk replied that the population in the north never hears this.

Wheeler said he had evidence they (North Vietnam) have lowered their draft age to 16. He said a Vietnamese officer touring a battlefield noted that many of the dead were 13, 14 and 15 year old boys.

Rusk said their manpower is committed or being chewed up. He said ~~Xixt~~ North Vietnam is having a manpower shortage. Rusk and McNamara said we should watch the 300,000 enemy in the south because that's where the 100,000 casualties are. Rusk said Vietcong morale is low. Wheeler answered the President that of the 300,000 enemy in the south, about 55,000 are North Vietnamese. McNamara commented that these are the ones who have a ticket to death.

The meeting adjourned at 9:55 p.m. The President told Rusk and McNamara he wanted to move on a group of observers tomorrow.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 15, 1967

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file

FOR THE PRESIDENT

FROM: George Christian

Attached are the notes of your luncheon meeting with business leaders on August 10, 1967, in the Mansion.

Those who attended were:

The President
Honorable C. Douglas Dillon
Mr. Henry Ford, II
Secretary Fowler
Honorable Thomas S. Gates Jr.
Mr. Werner P. Gullander
Mr. Frederick R. Kappel
Mr. William B. Murphy
Mr. Albert L. Nickerson
Mr. Rudolph A. Peterson
Mr. David Rockefeller
Mr. Stuart T. Saunders
Honorable Allan Shivers
Secretary Trowbridge
Mr. J. Harris Ward
Mr. Sidney J. Weinberg
Mr. Frazar B. Wilde
Mr. Walter B. Wriston

The meeting began at 1:25 p.m. The meeting ended at 3:40 p.m.

Attachment

32a
Meeting began: 1:25 p
Meeting ended: 3:40 p

NOTES OF THE LUNCHEON MEETING
OF THE PRESIDENT
WITH
BUSINESS LEADERS

In the Mansion
August 10, 1967

THE PRESIDENT: Thanks for being here. Secretary Fowler suggested you come down and talk with us about fiscal problems.

It now appears that our expenditures which were estimated in January at \$135 billion could reach \$143 billion for fiscal 1968. Our income will be about \$127 billion, down \$7 billion plus. Expenditures are up \$8 1/2 billion. So, with revenues down \$7 billion, expenditures up \$8 1/2 billion, and not getting the tax bill we recommended, and therefore are having to pay interest on that delay -- and since we started with a deficit of \$8.1 billion -- it now looks like the deficit will be \$29 billion to \$30 billion.

We could try to borrow all of that. We could tax it all. We didn't think either would be wise.

Of a total of \$61 billion non-defense, less than \$12 billion is controllable. Out of that \$61 billion, we have such things as \$14 billion for interest on the debt, \$5 billion for veterans, \$4 billion for crop supports, \$8 billion for salaries and \$15 billion for contracts we have made.

So if we eliminate all of that \$12 billion in controllable funds, we couldn't reduce the full deficit. And if we raised the surtax to 50 percent, we couldn't get enough revenue to offset the deficit. If we borrow it all, God knows what would happen to interest rates when we went into the market for that much money.

We have had our fiscal experts evaluate and recheck all of this, and go over it as you do in your business. The situation is this: \$8.1 billion deficit, \$8.5 billion increased expenditures, \$7 billion loss of revenue and \$5.4 billion on the 6 percent surcharge that wasn't enacted by July 1, bringing a total of \$29 billion for fiscal 1968.

I have recommended 4.5 percent pay raise for federal employees; that is \$1 billion. The bill now pending adds another billion dollars. This is part of the \$8.5 billion increased expenditures we are figuring on. Participation certificates are another \$2 billion, defense is \$4 billion,

and there is \$1 1/2 billion that we impounded last year and have since released. That adds up to \$8.5 billion.

How do we plan to deal with this deficit? The best way, we think, is to cut 25 percent from appropriations, which would include the \$2 billion in participation certificates and \$1 billion off the pay bill. We could get some from Space, and maybe \$4 million from Agriculture. The problem is, there are fifteen appropriation bills, and the Congress has passed only two. We can't do any trimming until we get those bills. Just as we cut 25 percent, we hope to tax 25 percent, and then borrow 50 percent.

These objectives are perhaps more than I can reach, but this method is the consensus of all our experts. This means we must have a 10 percent surtax on corporations, effective July 1, and a 10 percent surtax on individuals, effective October 1, plus extensions of the telephone and auto excise taxes.

With a GNP of nearly \$800 billion -- and recognizing that we have reduced taxes by \$24 billion in the 3 1/2 years since I became President, this seems reasonable.

If we didn't get a tax bill, there would undoubtedly be an inflationary spiral. Interest rates would go up, and we would have a recession in housing.

The most difficult problem a President has -- except for getting out of Vietnam -- is estimating the budget. We have had four budgets, with a total deficit of \$24 billion, and our estimates when you add those four years are only \$100 million off.

I am asking for your help and suggestions.

QUESTION: How deep is the cut into the Space program?

THE PRESIDENT: It would put the moon into the 1970's. By cancelling a billion dollars in contracts we could save \$400 million in expenditures.

Let me point out that to make our target, we would have to reduce Space, HUD, HEW, Agriculture, and Veterans Administration. There aren't many other places to cut.

FRED KAPPEL: I have the feeling you are in a position where you can't do anything else. What is the prospect for the future on spending?

THE PRESIDENT: We have a built-in increase of \$3 to \$4 billion, assuming Vietnam holds steady.

QUESTION: To get solid support for a tax increase, a cut in the budget is a terribly important element.

THE PRESIDENT: I agree. Last year I told the Congress we ought to impound and defer expenditures, but they gave us more than we asked for. After we tried everything, we locked up \$5 billion in programs to get \$3 billion in expenditures. It caused all kinds of hell. When you stop a man's dam or his federal building, you are going to hear from him.

I would also guess that we are more likely to get the participation certificates than the cut in the pay bill. Last year I thought we had everybody lined up to hold down the pay bill, but when it was voted on I had exactly one vote. I told somebody that the only man I could get to go with me was one lone Republican. Then I got a letter from Bob Poage, and he said I might think he was a Republican from some of his votes, but it was he who voted against the bill.

ALLAN SHIVERS: You have outlined a realistic program. I do think you have to be more realistic about the politics in Congress. It would surprise me if they don't vote the pay bill and raise these other appropriations. I think your estimate of a \$7.5 billion is a little high. I don't think the Congress is going to cut school milk or many of these other things. You might have more luck on public works.

TOM GATES: I think the people are ahead of Congress. The people will buy this as a war tax. Couple the tax with some cuts and it will help psychologically. The little man can understand.

THE PRESIDENT: That is the approach I intend to follow.

TOM GATES: The people are conservatively minded. They want some cuts.

THE PRESIDENT: If the appropriations bills come, we'll put the scissors to them.

STUART SAUNDERS: The people need to know you will cut these things. Then they will be willing to support the tax bill.

THE PRESIDENT: Secretary Fowler, do you have anything to say?

SECRETARY FOWLER: Unlike the Tax Reduction Bill, this has to be voted up or down by October. Uncertainty is the worst thing of all for business. We have a close time table. The last of the public witnesses will be on August 18, and around Labor Day or after the recess, they will decide when to vote it out. I have no doubt that every member is getting a reaction from the average tax payer. Unless we can mobilize business leadership, we have a real problem. The men who know how business and finance operate must get the message over that the alternative of borrowing influences a risk to the economic balance of this country for years to come. The principal problem is how to get this opinion over. It's not a question of raising taxes; it's the lady or the tiger.

(Secretary Fowler commented that the economy is on the way up. There was some differences of opinion on this from the businessmen present. The President said he had doubts himself; "I've got a gut Johnson City feeling . . . I'm scared.")

Secretary Fowler expressed the wish that the business and financial interests can be marshalled quickly. The President suggested that the businessmen form a group to take the position that a reasonable course would be to raise 25 percent by taxes, 25 percent by reduced expenditures, and 50 percent by borrowing. On a show of hands, all of those present supported the President's position in general. One or two expressed reservations about the size of the proposed surcharge.

Governor Shivers suggested again that the President should come out strong on cutting expenditures. He said the man in the street will support the President on spending for Vietnam, but they want to see a cut in domestic spending.

The meeting concluded with a brief discussion on how to set up an executive organization.

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business luncheon
Aug. 10

P- Thanks - Secy
Fowler sugg you
come down - talk
abt fiscal problems -
now appears that our
expenditures which
were est in Jan at
135 bil - could reach
143 bil -

127 income - down
about 7+

exp up $8\frac{1}{2}$, revenue
down 7 - not getting
tax bill we need -
int on that =

started with def of
8.1 - now looks like
be 29 - 30 bil -

Could try to borrow -
29 bil, could tax 29 bil
of total of 61 bil, less
than 12 bil controllable -

14 bil - int off debt
5 veterans
4 crop supports
8 sal
15 contracts

(2)

If eliminate everything, couldn't get -

raise surtax to 50%, couldn't get that much rev -

Borrow - God knows what would happen to int rates -

Not asking you to go along with me -

Had fiscal experts evaluate - recheck, gone over as you do in business -

8.1 def

8.5 increased exp

7 loss of rev

5.4 tax bill (6% July 1)

29.0 bil - '68

budget - 4.5% pay raise for fed empl - \$1 bil - bill pending for add bill in

2 bil - participation certificates

4 bil for defense

1 1/2 impounded last year

(3) -

how to deal with def -

Cut 25% from appropriation

= 7.5 bil -

1 bil pay bil

2 bil P. C.

Could get some from space, 400 mil from Ag.

of 15 bills, only have 2

Hope to tax 25% -

7 1/2 bil -

hope to borrow 50%

These objectives are perhaps more than I can reach - but that is consensus of experts -

to get, must have 100% surtax on corp effective July 1, ind.

Oct. 1, extend telephone & auto excise -

With GNP of 800 bil, making 24 bil taxes cut, this seems reasonable.

(4)

Inflation - recession
in housing -
interest rates -

most dif problem
Pres has - estimating
- except for getting
out of VN -
Have had 4 budgets -
total def of 24 bil -
estimated 23.9 bil -

Ash for your help -
Suggestions -

Q - how deep is cut
into space?

P - would put moon
into space -
by cancelling bid in
contracts, can save
\$400 mil in expenditures.

To make target, have
to reduce space, HUD,
H&W, agriculture, VA -

^{Fred Rappel}
Q - I have feeling you're
in pos where you can't
do anything else -

(5)

^{Fred}
Q - what is projection
for future?

P - have built in
increase of 3-4 bil,
assuming VN holds steady -

One of standards is
30% payroll cut, 120%
controllable exp -

Q - To get solid support
for tax, cut is terribly
imp element -

P - Agree - last yr we
told them we ought to
impound + defer exp -
but they gave us more
than we asked -
after we tried everything,
we locked up \$5 bil
in programs to get
3 bil in expenditures -

When you stop a
man's dam or his
fed bldg - you're
going to hear from him -

(6)

more likely to
get p.c. than
cut in pay bill

Shivers - you've
outlined realistic
program - have to be
more realistic about politics
in Congress - surprise me
if they don't get pay bill -
est of 7.5 bil a little high -
don't think Cong going
to cut school milk -
think you might have
more luck on pub works -
They're willing to cut
Somebody else's, not this -

Don Gates - I think
people are ahead of Cong -
people will buy as war
tax - couple this with
cuts - psychologically,
help get tax -
little man can understand

P - That's approach
I'll follow -

Gates - people are
conservatively minded

(7)

P - as app bills come,
we'll put sun on them
Hew -

Q - if we can look
forward to long-range
balance -

Q - 130 bil def is critical
people are ahead of Cong

Strout - people need to
know you'll cut -

Fowler - unlike tax red
bill - this has to be
voted up or down by Oct
or not going to be -
Uncertainty is worst
thing for business -
have close timetable -
on 18th be last of pub works
around Labor Day or
after recess, they'll
decide when to vote out -
I have no doubt that
every member getting
reaction from average
tax payer -
Unless we can mobilize
bus leadership - if the
men who know how
bus & personal operates -
get msg that alternative
to borrow involves risk

⑧

to see balance of
Co. for yrs to come -

Principal problem
how get opinion over

Not question of raising
taxes, it's the lady
or the tiger -

Economy is on way up -
~~economy is~~

P - Anyone disagree?

(Some difference of
opinion on economy)

P - I've got a gut
Johnson City feeling -
I'm scared -

Fowler - Wilbur Mills
wondering about whether
we can take -

Hope this group will
discuss how bus +
financial interests
can be marshalled -

go with taxes,
if cut - press + pub.
media to be convinced
economy -

⑨

Pres - go on committee
to say 25% taxes,
25% cut, 50% borrow -

all agreed to do -

Slivins - If I sense
man in street - they'll
say if go to VN, but
they want to see cut in
domestic spending -
going to have to couple -
be extremely popular to
come out strong on cuts -

The President: Thanks for being here . . . Secretary Fowler suggested you come down and talk with us about fiscal problems.

It now appears that our expenditures which were estimated in January at \$135 billion could reach \$143 billion for fiscal 1968. Our income will be about \$127 billion, down \$7+. Expenditures are up \$8 1/2 billion. So with revenues down \$7, expenditures up \$8 1/2, and ~~we~~ not getting the tax bill we recommended and therefore are having to pay interest on that delay -- and since we started with a deficit of \$8.1 -- it now looks like the deficit will be \$29 to \$30 billion.

We could try to borrow all of that. ✓ We could tax it all. We didn't think either would be wise. >

1125
3140

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32d

LUNCHEON AT THE WHITE HOUSE
Thursday, August 10, 1967
at one o'clock p.m.

The President

DILLON, Hon. C. Douglas

FORD, Mr. Henry, II

FOWLER, The Secretary of the Treasury

GATES, Hon. Thomas S., Jr. *Chm. Morgan Guaranty Trust*

GULLANDER, Mr. Werner P. *Pres. Natl. Assn. of Manuf.*

KAPPEL, Mr. Frederick R. *Chm. Ex. Comm. AT&T*

MURPHY, Mr. William B. *Pres. Campbell Soup Co.*

NICKERSON, Mr. Albert L. *Chm. Mobil Oil Corp.*

PETERSON, Mr. Rudolph A. *Pres. Bank of Amer.*

ROCKEFELLER, Mr. David *Pres. Chase Manhattan Bank*

SAUNDERS, Mr. Stuart T. *Chm. Penn. R.R. C.*

SHIVERS, Hon. Allan *Pres. Chamber of Commerce U.S.*

TROWBRIDGE, The Secretary of Commerce

WARD, Mr. J. Harris *Chm. Commonwealth Edison*

WEINBERG, Mr. Sidney J. *Goldman Sachs Co.*

WILDE, Mr. Frazar B. *Chm. Conn. Gen. Life Ins. Co.*

WRISTON, Mr. Walter B. *Pres. First Natl. City Bank NYC.*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Meeting began: 6:50p. m.

Meeting ended: 7:35p. m.

MEETING IN CABINET ROOM PRIOR TO THE ARRIVAL OF
CHANCELLOR KIESINGER, AUGUST 14, 1967

ATTENDING: The President
Secretary Rusk
Secretary McNamara
Secretary Fowler
Walt Rostow
Francis Bator
George Christian
Marvin Watson

DECLASSIFIED
Authority NLI 97-419
By LTS, NARA, Date 1/16/24

The President said he thought he would tell the Chancellor that the U. S. has a 30 billion dollar deficit but is ready to go through hell to stay with McCloy's agreement; that if the Germans do go through with an adjustment of their troops the U. S. would have to do it proportionately.

Secretary Rusk said that Kiesinger has four plans. One calls for the reduction of men in uniform and a cut of about 15,000 in civilians. He said that if the Chancellor says he has to make a troop reduction, the President will have to say what he indicated.

Rusk said there were two contingencies: Failure to get satisfactory execution of tri-lateral agreements; and failure to keep a satisfactory number of Germans in uniform.

The Secretary suggested that the President use this approach in talking with the Chancellor: 1. Count our blessings -- that in the political and economic sphere, we are in good shape with the Germans; that we are doing a respectable job in foreign aid. 2. They have gotten away from Adenauer's rigid attitude towards the East. 3. In the broadest sense, the U. S. and Germany have a lot of common policy. 4. He is on the rebound from talks with De Gaulle, so be prepared for that.

The Secretary said it is well for everyone to remember that we are working against a pretty solid background -- that the Germans are solid partners in NATO compared with others. He said a thorough explanation of each other's problems would be a good way to start the discussions.

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George Christian

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 11, 1967

MEMORANDUM TO MARVIN WATSON

The following is a summary of the meeting the President had at one o'clock p.m. today with Oren Lee Staley, NFO President, David Parr, Harold S. Nelson, and Secretary Freeman.

Staley. Mr. President, I know agriculture is only one of your many problems - but it is a problem for you. Rapid changes in agriculture have made it difficult for the family farm to survive. The farmer is understandably unhappy and concerned. He sees everyone around him in better economic condition. His production costs continue to mount - but his prices are falling rather than rising. His young people are leaving the farm.

Farmers are a proud people. They want to feel they are making their own way - but they need the help of both their own organizations and the Government. They need to feel the Government continues to support them and understand their problems. Above all, they feel that there must be some way to increase farm prices.

The President. I agree with your accurate appraisal of the problem. No one can question the deplorable financial condition of the farm economy. We have become an urban nation - and young farmers continue to move to the cities. But it is easier to describe the problem than to solve it. We know that the farmer is dissatisfied with his plight - and with this Administration for not being able to solve his problem. But what do you want us to do?

Nelson. It is important to this country that we keep you in office, Mr. President. Dave Parr and I will perform for you as we have in the past. We have plans to go through the entire Midwest area from Texas to the Great Lakes holding small meetings of farmers and those living in small towns. We want them to know what a Democratic Administration means to them. However, we need some ammunition.

The President. We thought we were giving you some ammunition with my decision to limit dairy imports. This was the problem that seemed to be bothering the dairy industry the most.

Nelson. That is true - and we have given full publicity to that action. Now we need to follow it up with a 50¢ increase in the class one differential. We are getting some increases by individual action with various handlers anyway. But you don't get any political credit for that. If you announced that hearings would begin on the need for a differential, it would have a most favorable impact with the dairy people. (Staley agrees.)

Parr. Frankly, NFO is a vehicle for us in doing this. A 50¢ increase - coupled with your dairy import action - will give us a strong case to make through this entire area. But it must be done now - if you wait until next year it will appear too political and lose its effect.

Staley. I want to make my position clear. I am a Democrat. But I am the president of a farm organization and my first allegiance must be to the good of the farmer. NFO can't just endorse you - and it wouldn't help you if we did so. But we can help with meetings which discuss these issues and show what the Administration is trying to do.

Mr. President, you are aware of the great dissatisfaction running throughout rural America. You need to get credit for these measures. If you would take them, we will help see that you do. But it is necessary to overcome the adverse results from such things as your TV admonition that housewives should stop buying butter when prices are up.

It has been necessary for me in recent months to make some pretty harsh statements - I have my own political situation, too. But I have tried to make it clear that the farmer's problems have existed for more than fifteen years. Franklin D. Roosevelt, Jr. once said that the American farmer needs a President like FDR - one who can do the same thing for the farmer that FDR did for Labor.

Part of the trouble is that last year the farmers felt that things were looking up a little. Prices were up. Now they are down so sharply that he has lost hope again.

The President. Tell me what your solutions would be for these problems.

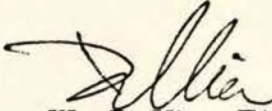
Staley. Here are some things would be helpful:

1. The strategic grains reserve plan which would withhold the grains from the market unless price was at parity.
2. Raise the loan level on corn.
3. Secretary Freeman's proposal to provide greater collective bargaining power for the farmer. After all, this is what NFO has been trying to accomplish for years.

I also agree that the increase in the class one differential for milk would be most helpful for the dairy producers. So would an increase in the dairy support price.

The President. I will ask Secretary Freeman to study these proposals and give me a memorandum on them. You must be aware of our total budget picture - a 30 billion deficit makes it difficult to do more in these programs. This is particularly so, when the Department of Agriculture is one of the few departments with controllable funds. We will do the best we can.

Staley. I know your many problems, Mr. President. I want to help you and will try to do so. I appreciate the opportunity to talk to you.


W. DeVier Pierson